SUMITOMO RUBBER GROUP

Go for NEXT

Annual Report 2013

2013
100% fossil resource-free tire

ENASAVE 100

1913
Japan’s first automobile tire

SUMITOMO RUBBER INDUSTRIES, LTD.

Sumitomo Rubber Group Snapshot

Composition of Net Sales by Business Segment (Fiscal 2013)

Tire business

87%

Sports business

9%

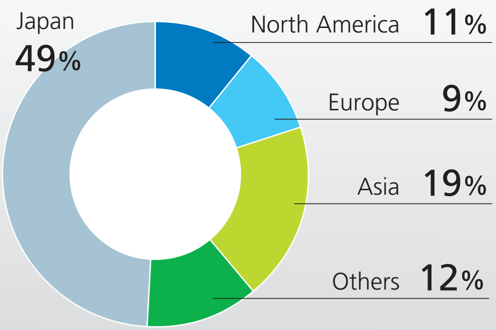
Industrial and Other Products business

4%

Composition of Net Sales by Region (Fiscal 2013)

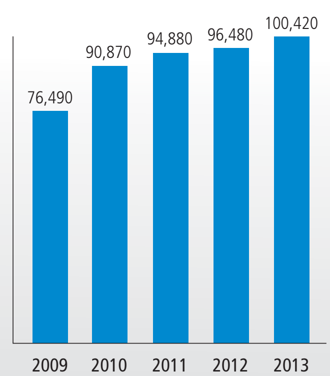
Overseas sales ratio

51%



Tire Sales Volume

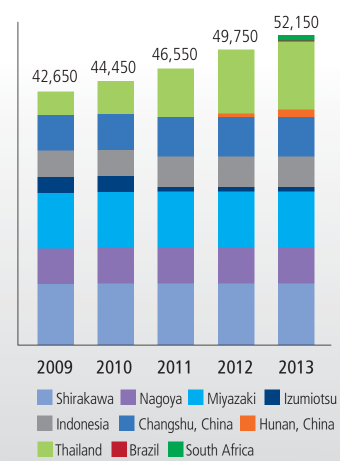
100,420 thousand tires



During fiscal 2013, tire sales grew in the domestic replacement market as well as in the overseas original equipment and replacement markets. As a result, the Tire business's total sales volume rose 3,940 thousand units year on year, surpassing 100 million units per year for the first time in the Group's history.

Tire Production Capacity

52,150 tons/month



In fiscal 2013, the Sumitomo Rubber Group initiated operations at its new factory in Brazil, the Group's first production base in Latin America, while bringing its South African factory on line. As a result, the Group's tire production capacity increased 5% year on year and its overseas production ratio rose to 49%.

History

1909	1913	1954	1963	1966	1984	1986
Dunlop U.K. established Japan's first modern rubber factory. Began production of bicycle tires and tubes, and solid rickshaw tires	Produced Japan's first automobile tire	Developed Japan's first tubeless tire	Sumitomo assumed management of company. Changed name to Sumitomo Rubber Industries, Ltd.	Started mass-production of Japan's first radial tire "SP3"	Acquired six tire plants in the U.K., Germany and France as well as Dunlop Tyre Technical Division in the U.K.	Acquired Dunlop Tire Corporation in the U.S.

The Sumitomo Rubber Group's operations cover three business segments: Tire, Sports and Industrial and Other Products.

In the Tire business, the Group boasts a high share of the domestic fuel-efficient tire market and is proactively expanding its market presence overseas, particularly in emerging countries where demand is expected to grow. In the Sports business, the Group develops premium golf goods and tennis equipment under brands tailored to specific regional needs. In the Industrial and Other Products business, the Group is striving to expand sales of vibration control dampers and medical rubber parts, areas of great growth potential.

Under the slogan "Go for NEXT" set forth in "VISION 2020," a long-term vision that sets targets for fiscal 2020, the Group will push forward initiatives designed to achieve these targets, thereby becoming the corporate group that provides the world's best value.

Long-Term Vision

Aiming to become a corporate group that provides the world's best value in all of our fields of business

Long-Term Vision Action Slogan

Go for NEXT

Becoming a true global player by achieving both high profitability and high growth
Pursuing increased value for all stakeholders and greater happiness for all employees

Growth Drivers to Achieve Our Goals: New Initiatives

NEXT Market Expansion —Taking on the Challenges of New Markets	**NEXT Technology Evolution** —Maintaining an Insatiable Drive for Innovation	**NEXT Category Innovation** —Entering New Business Fields

The world's best onsite operational skills, research and development capabilities and technical skills

Industry-leading earnings power

The SRI Way

Integrity and Soundness, Communication, Dedication to Long-Term Goals, Personal Development

1999	2003	2006	2009	2012	2013
Formed alliance in tire business with The Goodyear Tire & Rubber Company of the U.S.	Merged with The Ohtsu Tire & Rubber Co., Ltd.	Introduced the Sumitomo Rubber Group Long-Term Vision	Celebrated the Company's 100th anniversary	Announced "VISION 2020," our long-term vision	Released ENASAVE 100, the world's first mass-produced 100% fossil resource-free tire

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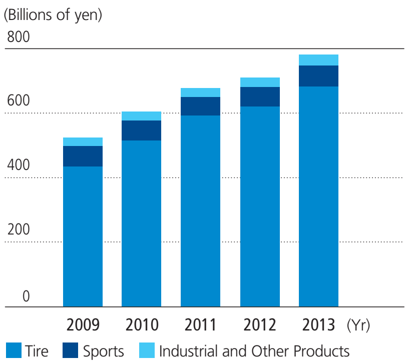
Fiscal 2013 Highlights

Net Sales

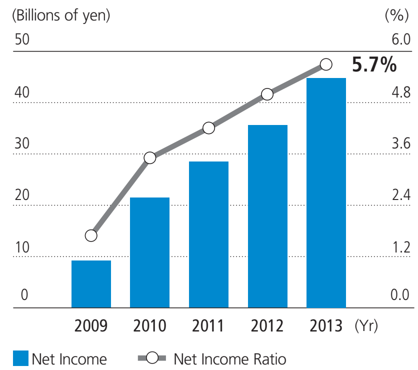
¥780.6 billion **+9.9%** Year on Year



Net sales grew 9.9% year on year to ¥780.6 billion due to the favorable performance of the mainstay Tire business, which recorded higher sales in the domestic replacement market as well as in the overseas original equipment and replacement markets.

Net Income and Net Income Ratio

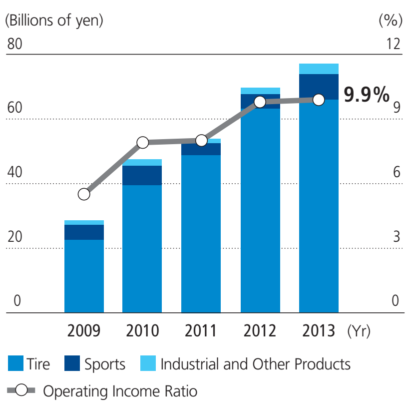
¥44.8 billion **+26.4%** Year on Year



Net income rose 26.4% year on year to ¥44.8 billion. In addition to growth in operating income, major contributors to net income included an improvement in equity in losses of unconsolidated subsidiaries and affiliates as well as in impairment loss recorded during the fiscal year under review.

Operating Income and Operating Income Ratio

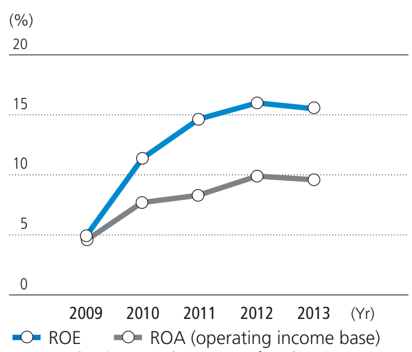
¥77.1 billion **+10.5%** Year on Year



Operating income rose 10.5% year on year to ¥77.1 billion. Primary factors contributing to operating income were growth in sales, a decline in raw material prices in the mainstay Tire business and the depreciation of the yen.

ROE* and ROA**

15.6% ROE **-0.4pt** Year on Year **9.6%** ROA **-0.3pt** Year on Year



* ROE= (net income / the average of total equity at the beginning and end of the fiscal year) x 100

** ROA= (operating income / the average of total assets at the beginning and end of the fiscal year) x 100

ROE fell 0.4 of a percentage point year on year to 15.6% due to a significant increase in total equity. ROA declined 0.3 of a percentage point to 9.6% in step with an increase in total assets, despite growth in operating income.

2013 February

Tire Released the VEURO VE303 premium comfort tire

March

Tire Released the ENASAVE SP688, a fuel-efficient, all-season tire for trucks and buses

Initiated a large-scale simulation utilizing the K computer, one of the world's most powerful supercomputers, to more accurately analyze the inner structure of tire constituents at the molecular level

Industrial and Other Products Released the MIRAIE 2x4, a vibration control unit designed for wooden houses with two-by-four construction

April

Tire Decided to establish a new production facility in Thailand to manufacture radial tires for motorcycles

May

Tire Developed Ultra Pure Natural Rubber (UPNR)*

* Obtained substance and process patents (Nos. 4598853, etc.) for UPNR composition and for the advanced production processes developed to remove specific impurities from natural rubber to achieve superior fuel efficiency and wear resistance

July

Tire Received a "satisfied" rating from 93% of customers who bought Dunlop's WINTER MAXX studless snow tires

September

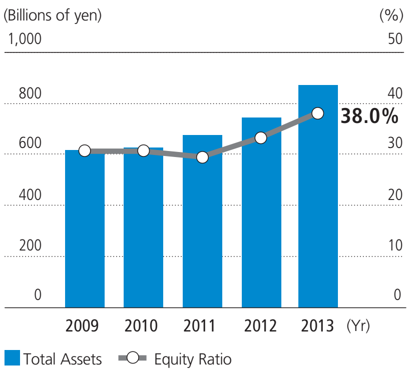
Tire Released the WINTER MAXX SJ8 studless snow tire for SUVs

Tire Initiated the construction of a new factory in Turkey

Artist's rendition of the new factory

Total Assets and Equity Ratio

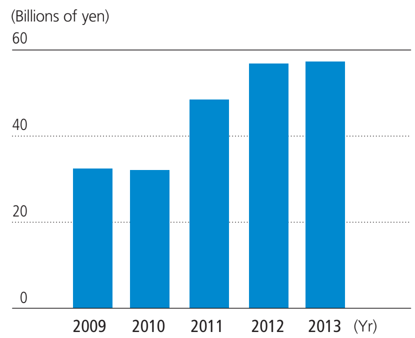
¥867.5 billion **+¥129.9 billion** Year on Year



Total assets as of the fiscal 2013 year-end were up ¥129.9 billion year on year to ¥867.5 billion due to a rise in such current assets as notes and accounts receivable and an increase in property, plant and equipment that reflected capital expenditures.

Capital Expenditures

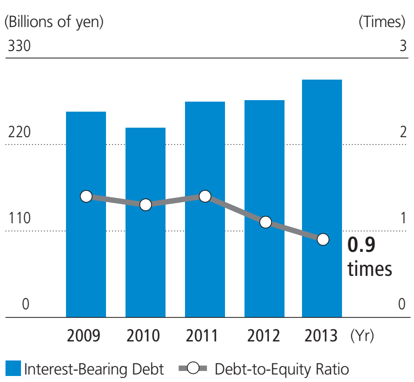
¥57.3 billion **+¥0.4 billion** Year on Year



Total capital expenditures grew ¥0.4 billion year on year to ¥57.3 billion due mainly to investments aimed at increasing tire production capacity.

Interest-Bearing Debt and Debt-to-Equity Ratio

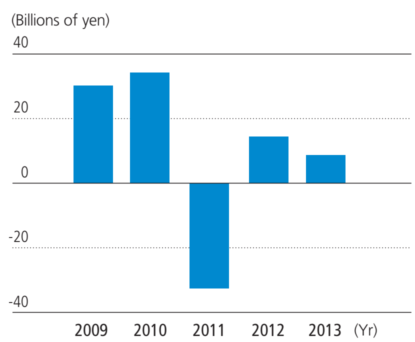
¥302.1 billion **+¥26.2 billion** Year on Year



Although interest-bearing debt as of the fiscal 2013 year-end was up ¥26.2 billion year on year, the debt-to-equity ratio improved 0.2 of a point to 0.9 times due to an increase in total equity.

Free Cash Flow

¥8.7 billion **-¥5.7 billion** Year on Year



Free cash flow for fiscal 2013 was a positive ¥8.7 billion. This was attributable mainly to growth in income before income taxes and minority interests and an increase in depreciation.

October

Tire Held a factory opening ceremony at our tire factory in Brazil

Industrial and Other Products Released a remodeling-use MIRAIE damper for wooden houses that incorporates proprietary high damping rubber

Tire Presented two tire prototypes: a tire with 50% less rolling resistance and a premium runflat tire produced using NEO-T01, a new, next-generation tire manufacturing system

A prototype tire with 50% less rolling resistance

SP SPORT MAXX 050 NEO

November

Tire Released the 100% fossil resource-free tire ENASAVE 100

ENASAVE 100

December

Tire Secured a tire production base in South Africa through the acquisition of Apollo Tyres South Africa

Sports Released XXIO8 golf clubs, the eighth generation in the XXIO series

In line with "VISION 2020," we will rally our Groupwide strengths to meet society's expectations by delivering "genuine value."

I. Ikeda

Ikuji Ikeda
President and CEO, Representative Director

Increasing Sales and Profit for the Fourth Consecutive Year

During the fiscal year ended December 31, 2013, there was a prevailing sense of confidence in the stability of the global economic recovery, reflecting a gradual upturn in the United States and signs of a rebound in Europe as well as steady growth in Asia.

Nevertheless, the Sumitomo Rubber Group had to contend with a harsh operating environment due to intensifying competition, particularly in the overseas tire replacement market, despite consistently low natural rubber prices and an improvement in export conditions accompanying the depreciation of the yen.

Addressing the situation, the Group pursued initiatives to achieve its long-term VISION 2020 targets for fiscal 2020. Specifically, we strove to achieve greater sales of high-value-added products, including fuel-efficient tires, while proactively entering new markets and business fields. We were thus able to rally our Groupwide strengths to support initiatives aimed at driving business growth and improving profitability.

As a result, in fiscal 2013 the Group achieved a fourth consecutive year of growth in sales and profit. Consolidated net sales increased 9.9% year on year to ¥780,609 million, operating income rose 10.5% year on year to ¥77,055 million and net income grew 26.4% to ¥44,794 million, with all three figures building on the achievements of the previous fiscal year and setting new records.

VISION 2020 Numerical Targets and Results

(Unit: Billions of yen)

	2013 results	2015 targets	2020 targets
Net sales	780.6	**940.0**	**1,200.0**
Tire business	681.1	**780.0**	**1,000.0**
Sports business	66.3	**100.0**	**120.0**
Industrial and Other Products business and new businesses	33.2	**60.0**	**80.0**
Operating income	77.1	**100.0**	**150.0**
Operating income ratio	9.9%	**10% or greater**	**12% or greater**
ROE	15.6%	**15% or greater**	**15% or greater**
ROA (operating income base)	9.6%	**10% or greater**	**14% or greater**
Debt-to-equity ratio	0.9 times	**0.9 times or lower**	**0.5 times or lower**

Note: The 2013 results are based on average exchange rates for the year of US$1 = ¥98, 1 euro = ¥130, while the 2015 and 2020 targets are based on assumed exchange rates of US$1 = ¥80, 1 euro = ¥100

Progress under VISION 2020

Toward the realization of our long-term VISION 2020 targets, we formulated a medium-term management plan based on analyses of our current operating conditions as well as the external factors comprising the economic, market and competitive environments. This plan identifies initiatives and targets for three years ending in fiscal 2015 in line with three key VISION 2020 themes aimed at driving growth, namely:

(1) NEXT Market Expansion—taking on the challenges of new markets

(2) NEXT Technology Evolution—maintaining an insatiable drive for innovation

(3) NEXT Category Innovation—entering new business fields

Specifically, our numerical targets for fiscal 2015 include net sales of ¥940 billion. As for fiscal 2020, we aim to achieve the final target of net sales of ¥1,200 billion. In the following sections, we discuss the progress of our efforts to achieve these targets.

NEXT Market Expansion: Taking on the Challenges of New Markets

First, we are pursuing NEXT Market Expansion by promoting the following three policies: "entering emerging markets," "pursuing growth in the Chinese market" and "expanding into Asia with tires for agricultural machinery." In these ways, we will seize growth opportunities as they emerge with the burgeoning of global tire demand, particularly in emerging nations. Some concrete activities being undertaken under these policies are discussed below.

With regard to entering emerging markets, in anticipation of considerable demand growth we aim to raise the ratio of net sales accounted for by the Group's sales in five key emerging market areas, namely, Latin America, Russia, the Middle East, India and Africa, from the current 11% to 14% by 2015. To that end, we are proactively expanding our network of overseas production and sales bases.

In April 2013, we initiated the sale of Falken brand tires through the Indian sales subsidiary Falken Tyre India Private Limited. In October 2013, we launched a new factory in Brazil, as we expect that the Latin American market area will grow into the largest among the aforementioned five key areas. In December 2013, we began operating a factory in Ladysmith, South Africa, following the acquisition of the factory's former operator Apollo Tyres South Africa (Pty) Limited. Moreover, the construction of our new factory in Turkey is progressing steadily and we aim to kick off production in July 2015.

Pursuing growth in the Chinese market, we are promoting the local production of high-value-added tires as well as the strengthening of retail channels, with the target of achieving an annual sales volume of 20 million tires in the region by 2015. At the same time, we will increase the number of our flagship stores from 571 as of the end of 2013 to 1,000 by the 2015 year-end.

Expanding into Asia with tires for agricultural machinery, we constructed a new factory in Thailand and initiated production in April 2014. The factory will also serve as an R&D base to facilitate the development of tires for large-scale agricultural machinery as we seek to augment the lineup in this category by 2015.

NEXT Technology Evolution: Maintaining an Insatiable Drive for Innovation

Second, as we push forward NEXT Technology Evolution, we are promoting various development efforts that can be broken down into three categories: "new products," "new development technologies" and "innovative production methods."

Our fiscal 2013 achievements in terms of new products include the release of the ENASAVE 100, the world's first mass-produced tire made entirely of 100% fossil resource-free materials, in November 2013. Also, in February 2014 we augmented the lineup of fuel-efficient ENASAVE brand tires with the introduction of the ENASAVE EC203, a new model boasting enhanced durability in addition to the eco-friendly features that set the brand apart. By doing so, we will further solidify the top position* that we have maintained in terms of fuel-efficient tire sales volume in Japan. Furthermore, plans call for launching a tire with 50% less rolling resistance in autumn 2014.

To create new development technologies, we have employed our proprietary 4D NANO DESIGN material development technology, thereby pushing ahead a variety of initiatives aimed at creating new materials, including Ultra Pure Natural Rubber (UPNR), a highly purified form of rubber. Looking ahead, we will go on to conduct experiments and calculations utilizing such external facilities as: SPring-8, a large-scale synchrotron radiation facility that enables advanced experiments using X-rays; the Japan Proton Accelerator Research Complex (J-PARC), which comprises world-leading facilities for neutron-related experiments; and the K computer, one of the world's most powerful supercomputers. Bringing together the results obtained through the utilization of these facilities, we will upgrade our 4D NANO DESIGN technology into ADVANCED 4D NANO DESIGN in 2015 and begin applying it to the development of products that will be released in 2016 and beyond.

Pursuing innovative production methods, in 2012 we established NEO-T01, a new, next-generation tire manufacturing system focused on achieving the ultimate in precision with regard to tire production technologies. This system involves the "Metal Core Process," which affixes ribbon-shaped tire components on a "former," a metal mold that is an exact duplicate of the intended inner surface of the finished tire. The latest achievement in our efforts aimed at developing the next-generation of high-performance tires for production using the NEO-T01 is the upcoming introduction of the SP SPORTMAXX 050 NEO premium runflat tire. This is the first product made using the NEO-T01 system, which simultaneously enables the realization of excellent safety and improved driving comfort as well as weight reduction. Final adjustments to the process are now being made and we aim to release the SP SPORTMAXX 050 NEO in 2014.

* Based on a survey conducted by JMA Research Institute Inc. of the total sales volume of the top two domestic automobile goods store chains

NEXT Category Innovation: Entering New Business Fields

Third, our initiatives aimed at promoting NEXT Category Innovation include "strengthening product supply targeting overseas automakers," "promoting vibration-control technologies" and "expanding the health care business."

In line with efforts to promote vibration-control technologies, one of the core technologies bolstering our Industrial and Other Products business, in March 2012 we launched the MIRAIE brand, a series of vibration control units for housing that have been enjoying firm sales. In response to wide-ranging customer needs, we augmented the product lineup with the MIRAIE 2x4, which is designed for wooden houses with two-by-four construction, and a remodeling-use MIRAIE damper, released in March and October 2013, respectively. Efforts are now under way to accelerate the expansion of this business in emerging nations where ever-taller buildings are being built, including earthquake-prone Turkey and Taiwan, focusing on vibration control dampers for buildings. In Turkey, we are seeking out technological alliances with local universities and architectural firms while letting local customers know about our strong track record in Japan, which attests to our trustworthiness. Backed by this record, we are confident that our products will help customers enjoy the security and peace of mind offered by improved earthquake resistance. In these ways, we are working to secure rapid market penetration. In Taiwan, we are increasing the number of local sales agencies and strengthening our service structure to capture greater market share.

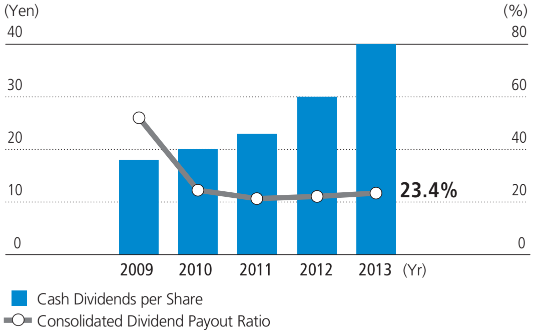
We are also reinforcing our health care business in light of expected expansion in the medical rubber parts market due to rapid population growth in emerging nations as well as the aging of society in industrialized nations, factors that are spurring demand for health care-related equipment around the world. Stepping up global operations in this field, we entered the market for highly specialized parts for medical appliances used in such areas as biopharmaceuticals in January 2013. To meet increasingly demanding market requirements, we are developing new highly specialized parts, with the target of raising sales of such products so that they account for 15% of our medical rubber parts sales in 2015.

Increasing Annual Dividends Paid by ¥10 per Share

Sumitomo Rubber Industries regards the return of profits to shareholders to be a priority issue. Accordingly, the Company has established a basic policy to ensure long-term sustainable returns to shareholders while comprehensively reviewing the levels of dividend payout ratios on a consolidated basis, performance prospects and retained earnings. For fiscal 2013, we increased the year-end dividend ¥10 per share from the initial forecast of ¥15 per share to ¥25 per share. Combined with an interim dividend of ¥15 per share, annual cash dividends for the fiscal year under review thus total ¥40 per share, a ¥10 increase per share compared with the previous fiscal year. Accordingly, the consolidated payout ratio stood at 23.4%.

Cash Dividends per Share and Consolidated Dividend Payout Ratio

¥40 **+¥10** Year on Year



Delivering Genuine Value—Our Unchanging Aspiration

Although we have succeeded in achieving a fourth consecutive year of growth in sales and profit in fiscal 2013, it is expected that the global market environment will rapidly change with increasingly intensifying competition. Nevertheless, the Sumitomo Rubber Group will leverage the unique strengths in rubber technology it has accumulated over its long history, which extends back more than 100 years to the creation of Japan's first automobile tire, to provide environment-friendly products. Our unchanging aspiration is to become a corporate group that meets society's expectations and wins its trust by delivering genuine value while contributing to a sustainable society. To that end, the Group will rally its overall strengths to achieve the targets set forth in its medium-term management plan as well as in its VISION 2020 long-term vision.

We sincerely ask for your continued understanding and support.

Paving the Way for the Next Generation of Vehicles

In its pursuit of more advanced, environment-friendly automobile-related technologies, the Sumitomo Rubber Group's tire-related development focus is on "innovative materials," "fuel efficiency" and "resource saving."

Today, nearly 60% of the materials used to produce common passenger car tires are derived from such fossil resources as petroleum oil. In fact, total annual worldwide consumption of petroleum oil for tire production amounts to approximately 5 million kiloliters. At the same time, most spare tires see no appreciable level of use before they are disposed of.

With these statistics in mind, the Sumitomo Rubber Group has made addressing environmental issues a top management priority. Pursuing R&D focused on innovative materials, fuel efficiency and resource saving, the Group constantly works toward the preservation of the global environment. As a case in point, more than 80% of replacement-use summer tires sold under the Dunlop brand are fuel-efficient tires,* a fact that has placed Dunlop in top position in terms of sales volume in this category** for four consecutive years. This record is largely attributable to the Group's forward-looking approach toward the development of fuel-efficient tires.

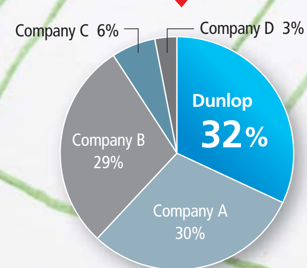
Going forward, the Sumitomo Rubber Group will leverage the unique strengths in rubber technology it has accumulated over its more than 100 years of operations to further develop environment-friendly products. In this way, the Group will contribute to the next generation of vehicles and thereby achieve lasting benefits for society.

* Tires that meet criteria for rolling resistance and gripping performance as stipulated by the Japan Automobile Tyre Manufacturers Association, Inc. (JATMA)

** Based on surveys carried out by JMA Research Institute Inc. covering total fuel-efficient tire sales by Japan's two top automobile goods store chains in the 2010–2013 period.

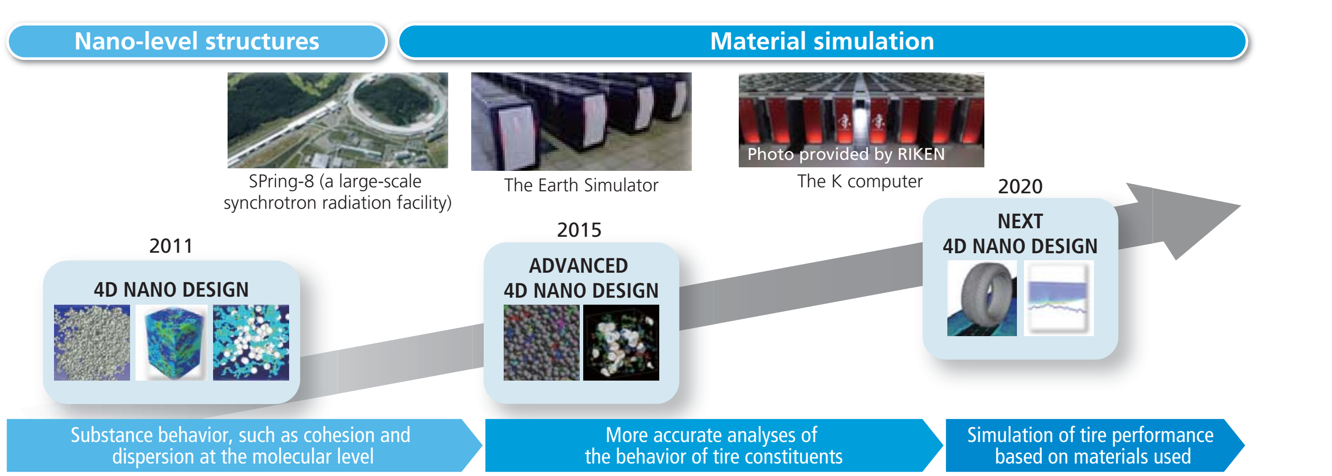
No.1 sales volume for fuel-efficient tires* for the fourth consecutive year, Dunlop continues to be a market leader**

More than 80% of summer tires sold on the replacement market are accounted for by fuel-efficient tires marketed under the Dunlop brand



Domestic market share in terms of sales volume

Progress of 4D NANO DESIGN toward developing highly functional tires with superior quality



Fossil Resource-Free Tires

ENASAVE 100, the world's first* mass-produced 100% fossil resource-free tire

* The first since synthetic rubber became the standard tire material. Survey conducted by Sumitomo Rubber Industries.

With an eye toward the future depletion of petroleum resources, in 2001 Sumitomo Rubber Industries began working on the development of a fossil resource-free tire, one that contains no materials derived from crude oil or coal, currently the mainstays of tire manufacture.

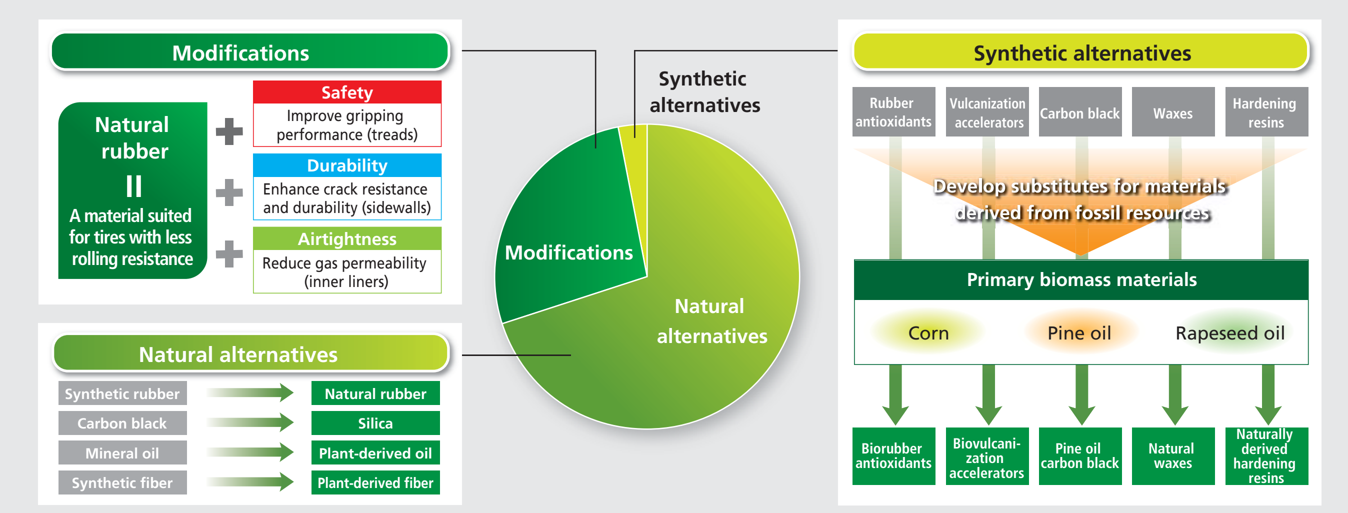
Overcoming the Challenge of "Remaining 3%"

When the Company introduced the 97% fossil resource-free ENASAVE 97 tire in 2008, its last challenge on the quest to 100% was to replace the petroleum-based chemicals—such as rubber antioxidants, vulcanization accelerators and carbon black—that constituted the remaining 3%. Focusing its R&D efforts on overcoming this challenge, Sumitomo Rubber Industries developed technologies that use special catalysts to synthesize rubber antioxidants and vulcanization accelerators from plant-derived biomass materials. At the same time, we succeeded in producing carbon black from plant-derived oil. Finally, a 100% fossil resource-free tire was achieved.

Eco-Friendly ENASAVE 100 Garners an Outstanding Reputation around the World

The ENASAVE 100, launched in November 2013, not only exclusively uses non-fossil resource-derived materials, it also delivers a 19% improvement in wear durability compared with the Company's conventional products. Moreover, this product boasts superior fuel efficiency and wet grip performance. In recognition of these remarkable features, the ENASAVE 100 won the Excellence Award in the 10th Eco-Products Awards, one of Japan's most prominent bodies recognizing eco-friendliness. Furthermore, the product was commended as the Environmental Achievement of the Year at the Tire Technology Expo 2014 held in Germany, gaining an outstanding reputation not only in Japan but also around the world.

Creation of ENASAVE 100—Technological advancements leading to a switchover from petroleum-based materials



Pursuing Greater Mileage

A prototype tire with 50% less rolling resistance

In its pursuit of improved fuel efficiency, Sumitomo Rubber Industries is developing ENASAVE series tires with lower rolling resistance as well as other fuel-efficient tires.

For Release in 2014: A Product Delivering a 10% Improvement in Fuel Efficiency

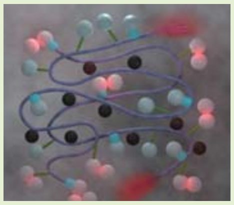
In 2014, the Company plans to release a tire with 50% less rolling resistance* and thus enhanced fuel efficiency. Approximately 20% of the resistive force a moving car encounters has been attributed to the rolling resistance of its tires. By our calculations, this product will yield around 10% improvement in fuel efficiency compared with conventional products.

Leveraging its 4D NANO DESIGN new material development technology to create this tire, the Company adopted such materials as Ultra Pure Natural Rubber (UPNR), a highly purified form of rubber that maximizes its natural potential, and Modified S-SBR, which optimizes rubber molecules at the nano level.

* Comparison with Dunlop brand summer tires sold in 2008 on the replacement market

Modified S-SBR

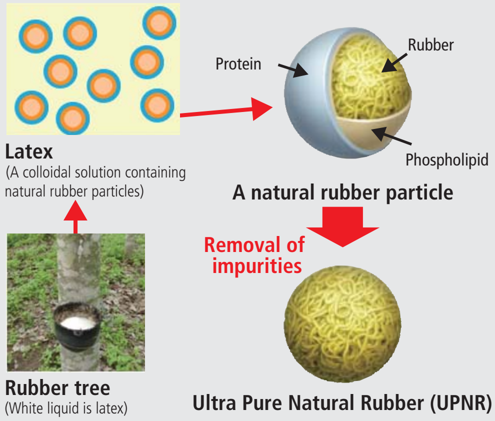
Modified S-SBR was developed by optimizing rubber molecules at the nano level to achieve superiority in terms of both fuel efficiency and gripping performance. This material consistently generates less heat during driving to curb rolling resistance. On the other hand, it produces the optimal amount of heat when brakes are applied, thus realizing excellent gripping performance.



Molecular Structure of Modified S-SBR

Ultra Pure Natural Rubber (UPNR)

With such impurities as proteins and phospholipids that occur in natural rubber removed, UPNR realizes stronger surface bonding between natural rubber and carbon black, which, in turn, suppresses unnecessary heat production and helps reduce rolling resistance significantly.



Analysis using 4D NANO DESIGN

Effects of removing impurities from natural rubber
- Frees it to realize its full potential at the molecular level
- Enhances interaction with carbon black

Principal effects of impurity removal on performance
- A lower heat-generation profile (Improved fuel efficiency)
- Higher durability (Greater resistance against chipping, cracking and wearing)

A prototype for the premium runflat tire
SP SPORTMAXX 050 NEO

NEO-T01

Spareless Technology Products

To facilitate resource saving and weight cutbacks, Sumitomo Rubber Industries is developing "spareless technology products" that aim to obviate the need for spare tires.

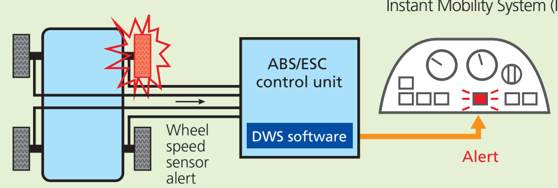
First Tire Made Using the NEO-T01 Manufacturing System Set to Launch in 2014

Plans call for launching the SP SPORTMAXX 050 NEO premium runflat tire in 2014, releasing the first product made using NEO-T01, a new, next-generation tire manufacturing system focused on achieving the ultimate in precision with regard to tire production technologies. Capable of producing tires with virtually perfect circularity, this innovative tire manufacturing system simultaneously enables improved driving comfort, superior environmental performance and excellent safety.

Spareless Technology Products Enhance Safety

In addition to runflat tires, we provide spareless technology products—including the Instant Mobility System (IMS) and the Tire Deflation Warning System (DWS)—that can be either used in a repair setting or installed in a variety of car models.

Instant Mobility System (IMS)



How the DWS works

Technologies Used to Create SP SPORTMAXX 050 NEO

The "Metal Core Process": By accurately affixing each tire component to a "former," a metal mold that is the exact same shape and size as the inner surface of the finished tire, this process realizes a shape with virtually perfect circularity. As a result, tires made using the NEO-T01 system boast considerably greater performance in terms of high-speed uniformity than those manufactured using the conventional process.

Highly rigid structure: The NEO-T01 allows the use of stiffening materials that have previously been considered too hard for tire applications. As a result, tire deformation under high-speed conditions is significantly reduced.

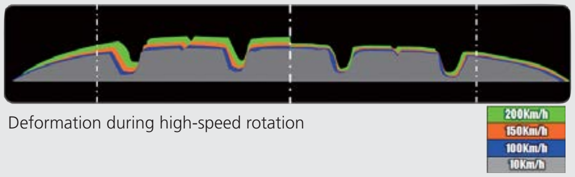
Weight reduction: Allowing for the more accurate, optimal allocation of components, the NEO-T01 system reduces rolling resistance by decreasing tire weight, thus helping enhance fuel efficiency.

The "Metal Core Process"

Cutting down weight by employing fully automated processes to control component cohesion

Conventional process

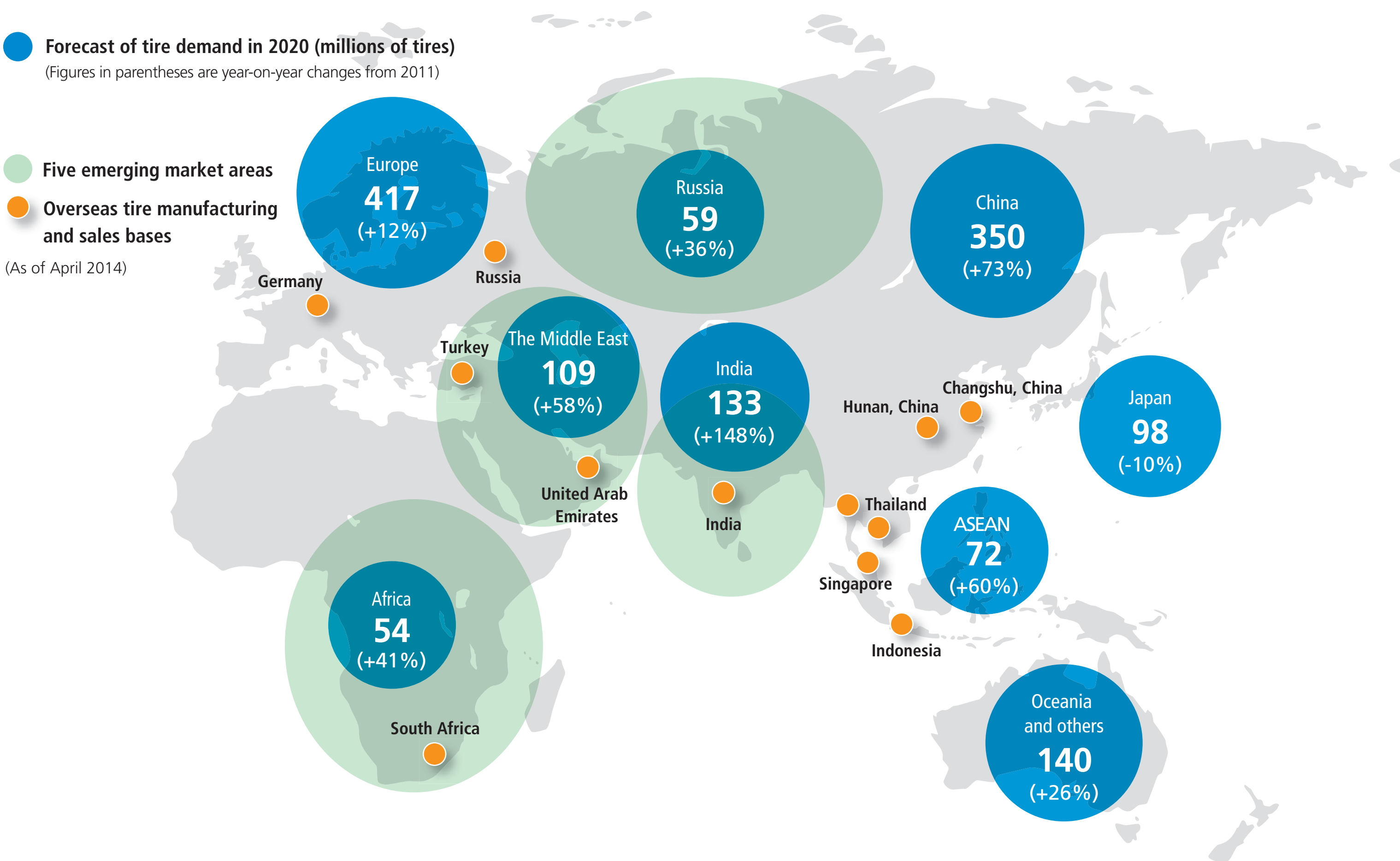
NEO-T01



Deformation during high-speed rotation

Taking on the Challenges of New Markets

Sumitomo Rubber Industries anticipates that the global tire market will expand an average 4% per year and that by 2020 annual demand for tires will reach approximately two billion units. Therefore, we are strengthening our global supply system on a Groupwide basis.



"NEXT Market Expansion"; VISION 2020 Core Initiative

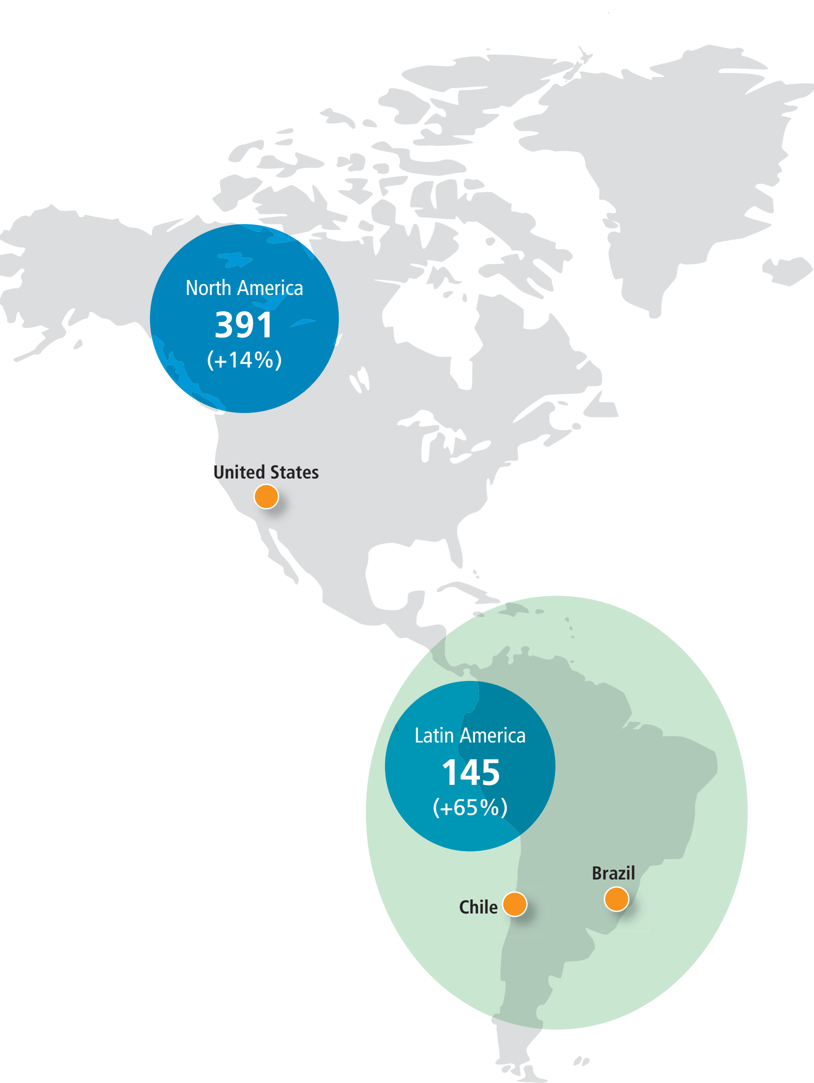
On the back of remarkable market growth in emerging nations, the Company considers its "NEXT Market Expansion" initiative, aimed at taking on the challenges of new markets, to be essential. Under this initiative, we are promoting the following three policies: "entering emerging markets," "pursuing growth in the Chinese market" and "expanding into Asia with tires for agricultural machinery."

Entering Emerging Markets: Actively Expanding Our Business Network across Five Key Areas

The Sumitomo Rubber Group expects that in Latin America, Russia, the Middle East, India and Africa—identified as the five key emerging market areas in the world today—tire demand will surge considerably. The Group therefore aims to increase the ratio of its net sales accounted for by sales in these areas from the current 11% to 14% by 2015. To this end, the Group is actively expanding its network of overseas production and sales bases.

In April 2013, our Indian sales subsidiary Falken Tyre India Private Limited initiated operations, getting off to a strong start with the target of selling 680,000 tires under the Falken brand by the end of 2015.

In September 2013, the Group began constructing a new factory in Turkey and continues to steadily promote the project with an eye to production kickoff in July 2015. After building to a production capacity of 4,000 tires per day by the end of 2015, this



factory will work to raise its yield to 30,000 tires per day by the end of 2019. With the launch of this factory, the Group will be positioned to reinforce the supply system it has in place to serve the markets in the neighborhood of Turkey, namely, those of Europe, the Middle East, North Africa and Russia.

In October 2013, we initiated operations at a new factory in Brazil. In our VISION 2020 long-term vision, we made a growth forecast for the Latin American market in which it was anticipated that in 2020 the region's annual tire demand would reach 145 million units. This makes it potentially the largest among the five emerging market areas. By launching this factory, we will create an even stronger production and sales network in Latin America. In 2015, the factory's production capacity will reach 15,000 tires per day and it will have an annual sales target of approximately 5.3 million tires.

In December 2013, the Group began operating a newly acquired factory in Ladysmith, South Africa, having taken over the factory's former operator, Apollo Tyres South Africa (Pty) Limited (ATSA). While improving factory management in the areas of safety, quality and productivity, we will raise the facility's daily production capacity from the current 9,600 to 12,200 tires by 2016. Moreover, we intend to further increase the figure to 14,500 tires by 2017, with special focus on augmenting the production capacity of high-performance tires. The acquisition of ATSA has enabled us to secure the rights to the Dunlop brand in countries throughout the African continent. In anticipation of considerable market growth, we will push forward with the further expansion of our Tire business in the region.

Pursuing Growth in the Chinese Market: Improving Brand Value While Expanding Sales

In China, we initiated operations at the Hunan factory in 2012, launching a second Chinese production base to join the Changshu factory. By shifting the burden to local production, this move helps ensure the more timely supply of high-value-added tires while creating a stronger retail channel, which will, in turn, help accelerate brand value improvement and sales expansion. In 2013, our regional annual sales volume was 13 million tires; the launch of the new factory should enable sales of 20 million tires in 2015.

Expanding into Asia with Tires for Agricultural Machinery: Launching a New Thai Factory

We completed the construction of a new Thai factory that produces tires for agricultural machinery, initiating operations in April 2014.

Although new, this factory will begin the development of tires for large-scale agricultural machinery, as we aim to augment the lineup in this category by 2015. In addition, the factory will produce rubber crawlers for combine harvesters, including high-performance crawlers made using the "spiral method," a new technique that wraps steel cords helically to realize superior durability and low vibration.

Tire Business

- The Sumitomo Rubber Group manufactures and sells tires, primarily the Dunlop, Falken and Goodyear brands.
- The Group has been active in expanding Dunlop's eco-friendly ENASAVE tire brand lineup and promoting it worldwide. In 2013, the Group released the ENASAVE 100, a 100% fossil resource-free tire, and the ENASAVE SP688, a fuel-efficient, all-season tire for trucks and buses.

100%
fossil resource-free tires, the first in the world,* went on sale in November 2013

* The first mass-produced 100% fossil resource-free tire since synthetic rubber became the standard tire material. Survey conducted by Sumitomo Rubber Industries.

No.1
sales volume for fuel-efficient tires* for the fourth consecutive year, Dunlop continues to be a market leader**

* Tires that meet criteria for rolling resistance and gripping performance as stipulated by the Japan Automobile Tyre Manufacturers Association, Inc. (JATMA)

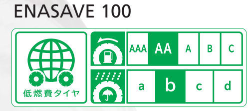
** Based on surveys carried out by JMA Research Institute Inc. covering total fuel-efficient tire sales by Japan's two top automobile goods store chains in the 2010–2013 period.

ENASAVE

ENASAVE is Dunlop's eco-friendly tire brand. The name derives from "Energy SAVE," i.e., to conserve fuel, and "NAture SAVE," i.e., to preserve nature.

ENASAVE 100

ENASAVE 100



DUNLOP

ENASAVE EC203

FALKEN

ZIEX ZE912

GOODYEAR

EAGLE RV-F

Some sizes in the lineup have received AA-b or A-c classification

Fiscal 2013 Results

Sales in the Tire business grew 10.0% year on year to ¥681,100 million in the fiscal year under review, while operating income increased 10.7% to ¥69,850 million.

The Sumitomo Rubber Group achieved sales growth thanks to strong showings in the domestic replacement market as well as in the overseas market.

On the earnings front, a rebound in export conditions accompanying lower yen rates in addition to consistently low natural rubber prices during the year under review contributed to an increase in profit.

Domestic Replacement Market

The Group sought to further improve its overall sales volume and product mix under the Dunlop brand. As a result, sales of the ENASAVE 100 and other fuel-efficient tires were strong, placing Dunlop in the top position in this category* in terms of sales volume for the fourth consecutive year. Moreover, the WINTER MAXX studless snow tire enjoyed favorable sales. Under the Goodyear brand, the all-season Vector 4Seasons tire was introduced with an eye to expanding sales. Reflecting these efforts, sales in the domestic replacement market increased year on year.

* Based on a survey conducted by JMA Research Institute Inc. of the total sales volume of the top two domestic automobile goods store chains

Domestic Original Equipment Market

Although the Group strove to promote high-value-added products, such as fuel-efficient tires, overall sales in the domestic original equipment market decreased year on year. This decrease paralleled a year-on-year decline in automobile production volume due to a falloff in production for the domestic market following the end of the Japanese government's eco-car subsidy system as well as the ongoing trend toward shifting production overseas.

Overseas Replacement Market

Despite intensifying competition in China, Russia and other emerging markets, sales increased year on year thanks to sales expansion in Brazil and other new markets as well as the positive effects of the depreciating yen.

Overseas Original Equipment Market

Because the Group was able to raise its sales figures thanks to expanding automobile production mainly in China and Indonesia, sales topped those of the previous fiscal year.

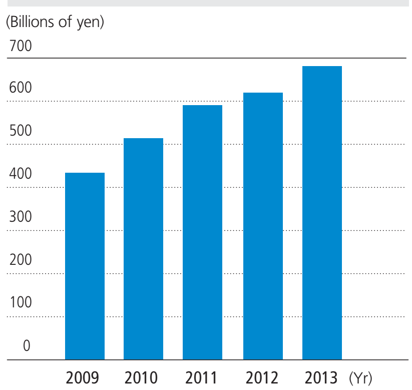
Fiscal 2014 Outlook

In the domestic market, the Sumitomo Rubber Group will continue to introduce new products in its fuel-efficient tire lineup. In fact, the Group has already released the ENASAVE EC203, a second-generation standard fuel-efficient tire for passenger cars that boasts improved anti-wear performance. In overseas markets, the Group will actively promote sales expansion, focusing mainly on emerging nations.

With regard to development, efforts are now under way to launch a tire with 50% less rolling resistance as well as a high-performance runflat tire produced using NEO-T01, a new, next-generation tire manufacturing system, in fiscal 2014. On the production front, plans call for operational kickoff at the Group's third factory in Thailand to produce tires for agricultural machinery while promoting factory construction in Turkey.

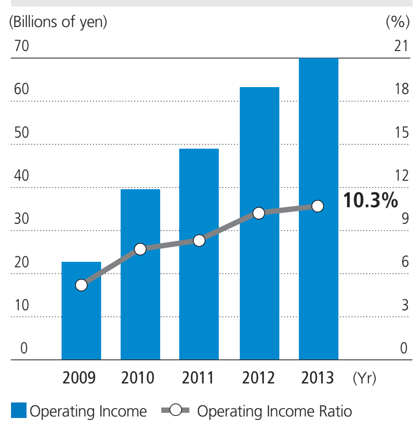
Net Sales

¥681.1 billion **+10.0%**
Year on Year



Operating Income and Operating Income Ratio

¥69.9 billion **+10.7%**
Year on Year



Year-on-Year Increase/Decrease in Tire Sales Volume

	2012	2013
Domestic original equipment	+15%	**-5%**
Overseas original equipment	+9%	**+29%**
Domestic replacement	+3%	**+4%**
Overseas replacement	-4%	**+1%**
Total	+2%	**+4%**
Total sales volume (millions of tires)	96.48	**100.42**

Sports Business

- Dunlop Sports Co. Ltd., a company spun off from Sumitomo Rubber Industries in 2003, plays a central role in the manufacturing and marketing of such items as golf clubs and golf balls. In the area of tennis equipment, the company offers several products, including rackets and balls.
- In its mainstay golf product lineups, Dunlop Sports has introduced the XXIO, SRIXON and Cleveland Golf brands on a global scale.
- Tennis equipment is manufactured and marketed under the Dunlop and SRIXON brands. In addition, a sales agency contract has been signed with the French company BABOLAT VS S.A.
- Dunlop Sports was listed on the first section of the Tokyo Stock Exchange.

No.1

ranking in terms of value of domestic shipments in 2013 for
- Golf clubs
- Golf balls
- Tennis rackets
- Tennis balls

These 2013 market share estimates are based on data in the Sports Goods Industry 2014 report compiled by Yano Research Institute Ltd.

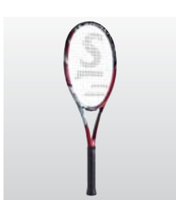
361 golfers in **22** countries worldwide

The number of professional golfers who have entered into equipment sponsorship agreements with Dunlop Sports

As of April 30, 2014

XXIO

The flagship golf goods brand XXIO is a favorite among golfers in Japan, South Korea, China and Southeast Asia.



SRIXON

Golf and tennis goods under the SRIXON brand, introduced for professional and semiprofessional use, are preferred by leading athletes throughout the world and contribute to their tournament wins.

Cleveland GOLF

Introduced in 1979 in the United States, Cleveland Golf's wedges enjoy a high share of the U.S. golf club market.

Dunlop Sports' FORT (left) and SRIXON (right) brand tennis balls are used in a number of important tournaments.

Fiscal 2013 Results

Sales in the Sports business increased 8.0% year on year to ¥66,261 million, while operating income fell 10.6% to ¥3,992 million. The domestic golf goods market saw relatively firm growth as fair weather drew out more golfers than in the previous year. Markets overseas faced harsh conditions, however, due mainly to growing demand stagnation in Southeast Asian countries and poor weather in North America, which is home to the world's largest market, resulting in fewer golfers on the links.

Against this backdrop, Dunlop Sports' XXIO7 golf clubs continued to garner rave reviews even two years after their release and the XXIO8 lineup, launched in December, got off to a strong start. In golf balls, the company aimed for further sales expansion, introducing two new products: the SRIXON Z-STAR with improved spin control and flight performance in February and the XXIO XD-AERO, which employs newly developed, innovative non-circular dimples to achieve a high, strong, straight trajectory for longer flight, in March. Owing to these efforts, the company's golf clubs and balls captured top market shares in terms of domestic storefront sales.*

Furthermore, Dunlop Sports has signed equipment sponsorship agreements with leading athletes, including Hideki Matsuyama, in an effort to bolster brand value and credibility. Two such players, Hideki Matsuyama and Rikako Morita, were the money leaders of the Japan Golf Tour and the LPGA of Japan Tour, respectively, helping to further enhance brand awareness.

Overseas, the company expanded sales of XXIO7 products in Asia. In Europe and the United States, the company pursued an aggressive sales promotion policy, focusing mainly on new wedge clubs under the Cleveland Golf brand and golf balls under the SRIXON brand.

* Market share survey conducted by Yano Research Institute Ltd.

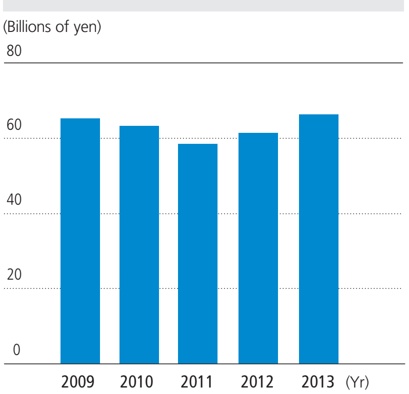
Fiscal 2014 Outlook

The outlook for the global economy remains unclear and, although the Japanese economy is gradually improving, there are concerns that the April 2014 consumption tax increase will have negative effects. Amid these circumstances, Dunlop Sports will accelerate its business growth and, accordingly, pursue global expansion mainly in the field of golf equipment.

To raise the value of Dunlop, XXIO, SRIXON, Cleveland Golf and other brands, the company has signed equipment sponsorship agreements with a number of leading professional athletes, thereby increasing brand and product recognition and credibility. Proactively pursuing sales expansion in the vital U.S. market, the company is rolling out XXIO brand golf clubs as well as Cleveland Golf brand golf clubs while promoting SRIXON brand golf balls. In Asia, where strong growth is expected, the company is focusing on efforts to expand sales and raise brand awareness, especially of XXIO brand golf clubs. In product development, the company is focusing primarily on analyses and evaluations by its Golf Science Centers in Japan and China as well as engineering technology employing computer simulations, thereby promoting the development of golf clubs and golf balls with superior flight distance performance. The company is also involved in the development of materials through joint research with universities and other research institutions.

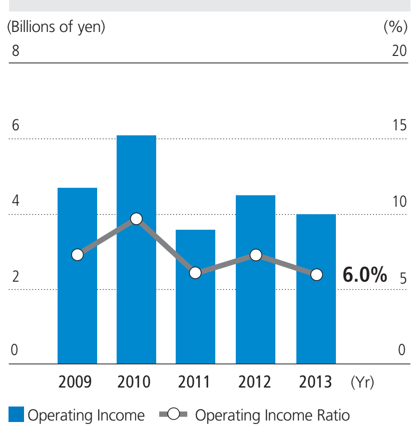
Net Sales

¥66.3 billion **+8.0%** Year on Year



Operating Income and Operating Income Ratio

¥4.0 billion **-10.6%** Year on Year



Sales Breakdown

(Billions of yen)

	2012	2013	Year on Year
Clubs	29.9	**33.2**	**+11%**
Balls	12.3	**14.4**	**+18%**
Shoes and accessories	7.8	**7.4**	**-6%**
Golf goods	50.0	**55.0**	**+10%**
Tennis goods	6.5	**6.3**	**-3%**
Licensing revenue	0.4	**0.4**	**+6%**
Sports goods	56.9	**61.6**	**+8%**
Others	4.5	**4.7**	**+3%**
Total	61.3	**66.3**	**+8%**

Figures are rounded to the nearest ¥0.1 billion. Percentage figures are rounded to the nearest whole number

Industrial and Other Products Business

- The Industrial and Other Products business offers a wide variety of products encompassing precision rubber parts for printers and photocopiers, vibration control dampers, artificial turf for sporting use, floor coating materials, portable ramps for wheelchair use, rubber gloves, rubber gas tubes, offset printing blankets, marine fenders, rubber valves and medical rubber parts. The Company covers diverse needs that range from daily life to industrial applications.

No.1

share of the domestic market for artificial turf for sporting use

Survey conducted by Sumitomo Rubber Industries

MIRAIE 2x4

The MIRAIE 2x4 vibration control unit

MIRAIE

MIRAIE brand vibration control units for housing were developed using proprietary Sumitomo Rubber Industries technology in the area of high damping rubber. Capable of absorbing up to 70%* of the kinetic energy of an earthquake tremor, MIRAIE is also effective in buffering repeated aftershocks.

* Based on the results of in-house shake table experiments simulating real-life earthquake intensity

The MIRAIE damper for conventional post and beam structures

Fiscal 2013 Results

During fiscal 2013, sales in the Industrial and Other Products business increased 12.6% year on year to ¥33,248 million, while operating income rose 49.8% to ¥3,205 million.

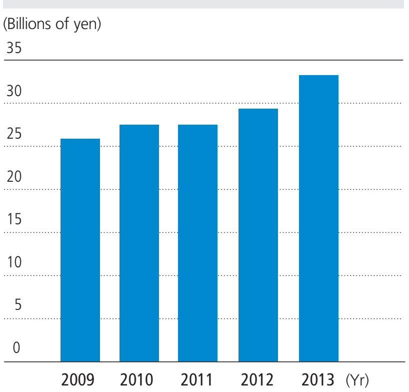
The Company augmented its lineup of MIRAIE brand vibration control units, which help reduce structural vibration. Specifically, the Company launched the MIRAIE 2x4 designed for wooden houses with two-by-four construction as well as a remodeling-use MIRAIE damper. Sales grew steadily for such products as medical rubber parts as well as precision rubber parts for printers and photocopiers.

Fiscal 2014 Outlook

To meet expected demand growth in the vibration control equipment market, Sumitomo Rubber Industries will work to expand sales of MIRAIE brand vibration control units for housing as well as to speed up global business expansion, particularly in emerging nations, with a focus on vibration control dampers for buildings, beginning with earthquake-prone Turkey and Taiwan. In medical rubber parts, the Company is working to develop new products with high functionality and stepping up global development in response to the growing market worldwide for medical parts.

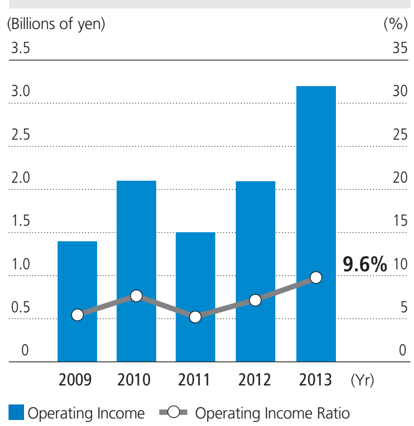
Net Sales

¥33.2 billion +12.6%
Year on Year



Operating Income and Operating Income Ratio

¥3.2 billion +49.8%
Year on Year



Precision rubber parts for printers and photocopiers
Precision rubber parts for printers and photocopiers require accuracy on a micrometer scale. With production bases in Japan, China and Vietnam, Sumitomo Rubber Industries meets the needs of a wide variety of customers.

Medical rubber parts
Exercising thorough quality control, Sumitomo Rubber Industries offers safe and high-quality medical rubber parts.

Rubber gloves
The extensive lineup of Dunlop rubber gloves encompasses products for household and industrial use.

Artificial turf for sporting use "Hibrid-Turf"
Realizing both superior safety and playability, the Hibrid-Turf is installed at a wide variety of sports facilities from professional pitches to school facilities nationwide.

Constantly targeting new value creation, the Sumitomo Rubber Group engages proactively in research and development (R&D). In addition to these efforts, the Group preserves the fruits of its research as intellectual property and has established structures to fully capitalize on its intellectual property rights.

R&D Activities

With the Sumitomo Rubber Industries' R&D organization and facilities as its core, the Sumitomo Rubber Group promotes R&D activities in wide-ranging fields—the tire, sports, industrial and other product businesses—in close cooperation with its subsidiaries and affiliates around the world.

Total R&D expenses in the fiscal year under review amounted to ¥21,822 million, equivalent to 2.8% of consolidated net sales.

Tire Business

The ENASAVE 100, the world's first 100% fossil resource-free tire, was launched in fiscal 2013. In addition, the Company revealed a prototype for a premium runflat tire with the perfect mix of safety, driving comfort and lightness—the first tire produced using NEO-T01, an innovative tire manufacturing system. The Company also developed the ENASAVE EC203 tire featuring reduced rolling resistance and improved anti-wear performance as a second-generation standard tire under the ENASAVE brand. Regarding new materials technology development, the Company is currently developing ADVANCED 4D NANO DESIGN technology, with an eye to rollout in fiscal 2015. In fiscal 2013, R&D expenses in the Tire business totaled ¥18,976 million.

Sports Business

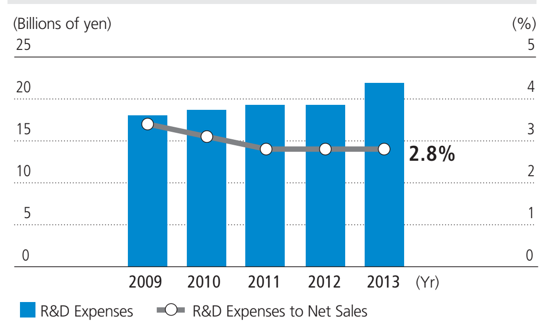
With R&D sections placed at both Dunlop Sports and Cleveland Golf Company, Dunlop Sports pursues the development, evaluation and verification of new technologies and products, employing cutting-edge computer simulations. Reflecting these activities, during fiscal 2013, Dunlop Sports developed such products as the XXIO8 golf club series. R&D expenses in the Sports business amounted ¥1,337 million.

Industrial and Other Products Business

Sumitomo Rubber Industries develops products that meet consumer needs in each product field. In the vibration control system business, the Company expanded the product lineup of MIRAIE brand vibration control units for housing. In the field of medical rubber parts, the Company expanded its operations in the health care business, entering the market for highly specialized parts for medical appliances used in such areas as biopharmaceuticals. R&D expenses in the Industrial and Other Products business were ¥1,509 million.

R&D Expenses and R&D Expenses to Net Sales

¥21.8 billion **+11.7%** Year on Year



Tyre Technical Center
Equipped with state-of-the-art testing and measuring machines, the Tyre Technical Center is the Group's main tire R&D facility.

Inside-Drum Testing Machine
A machine that monitors the key performance metrics of tires when cornering on dry, wet or icy roads

Intellectual Property Strategies

Basic Policy

The Sumitomo Rubber Group proactively carries out intellectual property activities that support its businesses. The Group has set forth a basic policy with regard to such activities in accordance with VISION 2020, a long-term vision established in 2012.

Specifically, the Group undertakes intellectual property activities focusing on three pillars, namely: 1) securing intellectual property rights with regard to such industrial properties as patents, utility models, designs and trademarks; 2) exercising such rights against the infringement of the Group's intellectual properties; and 3) eliminating risk by developing a structure to protect the Group's rights from violation by third parties.

Current Status of Basic Policy Implementation

The current status of the basic policy is as presented below.

The Group submitted a record number of patents in fiscal 2012 thanks to the success of intellectual property training for employees and the introduction of a structure that connects technological development to patent application. Since then, the Group has continued to set new records with regard to the total number of patents held.

The Group seeks to effectively utilize the intellectual property rights that it has acquired, defending such rights against infringement worldwide. For example, in Europe the Group diligently files litigation against infringement while in Asia it is strengthening cooperation with national administrative bodies to ensure that products that infringe on the Group's rights, including imitations and copies, are seized by customs or, when possible, their production sites are identified and dealt with. To secure the competitive advantage of its products and earn greater trust, the Sumitomo Rubber Group will constantly reinforce the structure it has built to ensure the protection of its intellectual property rights against such infringement.

With the aim of furthering the utilization of intellectual property rights, the Group is engaged in licensing. The volume of royalty income that the Group earns from this business increases every year.

Needless to say, the Group also gives due consideration to preventing its own products from infringing on other companies' rights. Going forward, the Group will strive to further strengthen its intellectual property structure with an eye to eliminating such risks, which are anticipated to increase, especially abroad.

Responding to Globalization

In step with the rapid expansion of its overseas operations, the scope of the Sumitomo Rubber Group's intellectual property activities is growing worldwide, encompassing not only Japan but also the United States, Europe and such Asian countries as China as well as Russia and countries in South America, the Middle East and Africa.

Reflecting this, efforts are now under way to nurture human resources and reinforce our structure for handling intellectual properties. In particular, the Group is providing training sessions not only for Intellectual Property department members but also for employees at every operational base with the aim of upgrading the competencies of the entire workforce. Such action is facilitating the development of a structure that ensures intellectual property activities are carried out smoothly and seamlessly on a Groupwide basis.

To reinforce the intellectual property structure, it is essential to cooperate with such external organizations as legal firms, patent offices, patent agents, research agencies and administrative bodies in Japan and overseas. With the aim of strengthening the connections between the Group and these organizations as well as across-the-board communication, the Sumitomo Rubber Group implements projects that involve internal and external collaborations.

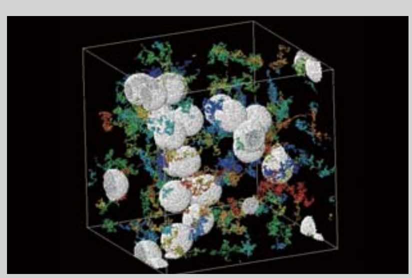
Moreover, the Group renewed its in-house Intellectual Property Management System to improve operational efficiencies and ensure that information is shared globally. Through this renewal, the Group established a network that connects all of its operational bases and agencies around the world. Moreover, the renewal facilitated a switchover from paper-based to paperless operations that utilize a workflow system and database. This significantly accelerated the Group's operations with regard to intellectual property rights.

Focusing on the abovementioned three pillars, the Group will promote the more efficient implementation of intellectual property activities, encompassing all regions worldwide.

The K computer

To further the advancement of new material development technology aimed at creating high-performance and quality tires, the Company utilizes the K computer, one of the world's most powerful supercomputers.

Photo provided by RIKEN



A computer simulation showing a molecular-level view of the principal constituents of tires

(gray: silica particles;* color: partially rendered polymers)

* A filling material being compounded to enhance the strength of the rubber (particles approximately 10-20nm in diameter)

Golf Science Center (Japan)

With the ability to comprehensively measure, analyze and evaluate golf equipment, our Golf Science Centers boast a wealth of data covering wide-ranging subjects, including the relationships between the golf swing forms of various golfers and such equipment as clubs and balls.

The Sumitomo Rubber Group proactively promotes CSR activities under the assumption that not only should efforts be made to raise economic value, but that it is essential to enhance social value as well. These endeavors are undertaken in order to realize sustainable growth and the creation of value, as stated in the Group's VISION 2020 long-term vision.

FUNDAMENTAL PHILOSOPHY OF THE SUMITOMO RUBBER GROUP'S CSR ACTIVITIES

CSR PHILOSOPHY	**The Sumitomo Rubber Group carries out its GENKI Activities, which proactively contribute to the environment and communities, in order to become a trusted corporate citizen and part of a sustainable society.**		
CSR GUIDELINE	**G**reen	**GREEN INITIATIVE**	1. Help curb global warming by planting trees 2. Establish better relationships with communities by planting trees
	Ecology	**ECOLOGICAL PROCESS**	3. Reduce CO_2 emissions 4. Implement worldwide environmental management
	Next	**NEXT-GENERATION PRODUCT DEVELOPMENT**	5. Develop environmentally friendly products 6. Pursue safety and comfort, economy, and quality
	Kindness	**KINDNESS TO EMPLOYEES**	7. Foster human resource development and make jobs rewarding 8. Create a safe, employee-friendly workplace 9. Achieve a work-life balance
	Integrity	**INTEGRITY FOR STAKEHOLDERS**	10. Ensure thorough corporate governance 11. Ensure thorough compliance 12. Promote dialog with stakeholders 13. Keep social contribution in constant motion

1,400,000
trees have been planted since 2009

100%
of our domestic factories have switched from heavy oil to cleaner natural gas as boiler fuel

0%
of the Group's production facility waste is disposed of in landfills

CSR Topics

A Hands-on Approach to Green Initiatives

To commemorate its 100th anniversary in 2009, the Group commenced the "One Million Trees Project for Local Forests," aiming to plant one million trees over the next 20 years at its production bases and in their neighboring areas in Japan and overseas. Within three years, we achieved the project's initial target well ahead of schedule and are now on the way to achieving a new target of planting a further one million trees. With Group employees spearheading the tree planting, we welcomed their families, former employees and local residents to join us in executing the project. In 2013, a total of 3,068 people in Japan and 1,246 people overseas participated in such planting activities. In addition to tree planting, other Sumitomo Rubber Group "green initiatives" that entail Group employees using their own hands include weeding and the development of biotopes aimed at promoting biodiversity.

Contributing to the Environment and Society

Sumitomo Rubber Industries is proactively involved in activities aimed at contributing to communities, society and the environment on a Groupwide basis. For example, we dispatch volunteers, donate funds and cosponsor charity events with the aim of supporting areas devastated by disasters. Moreover, the Group is engaged in cleanup activities around its business sites nationwide, participates in blood donation campaigns, supports education for children, conducts national tire safety inspection campaigns and strives to interact meaningfully with people in local communities. The range of such activities expands each year and encompasses our business sites overseas in addition to those in Japan.

Also, the Sumitomo Rubber Group maintains an in-house CSR commendation system to identify and reward activities deemed to be of particular excellence. Every December, we bestow "Environmental Contribution" and "Social Contribution" awards to outstanding performers in the "Workplace Award" and "Individual Award" categories. In 2013, there were 27 candidates for such commendation.

CSR Fund Granted

In July 2009, Sumitomo Rubber Industries established the Sumitomo Rubber CSR Fund to support various activities aimed at addressing such socially important issues as the global environment. As part of such initiatives, Sumitomo Rubber Industries introduced a matching-gift program in which the Company deducts ¥200 each month from the salaries of participating employees as a donation to the fund, matching these contributions with an equivalent donation. The scope of organizations that the fund helps subsidize includes: environmental preservation activities, including biodiversity promotion; disaster relief; traffic safety; and finding solutions to social issues besetting the communities around individual Group business sites. In the year under review, the Group expanded both the number and the geographical distribution of subsidy recipients. Specifically, in this fourth round of subsidies granted in July 2013, the number of recipients grew from 27 organizations to 29 organizations in six locations in Fukushima Prefecture, Tokyo, Aichi Prefecture, Osaka Prefecture, Hyogo Prefecture and Miyazaki Prefecture.

CSR Procurement

In addition to the expansion of Green Procurement, there is a growing trend toward incorporating such themes as compliance assurance, human rights protection and sound labor practices in procurement activities. Reflecting this, the Sumitomo Rubber Group has compiled Procurement Guidelines encompassing the CSR Code of Conduct, wherein the Company calls for its suppliers to perform CSR activities or cooperate with it in its pursuit of these activities. In addition, the Company periodically provides suppliers with CSR-themed training sessions that reflect issues brought to light by the questionnaires routinely sent out to each supplier in order to assess their CSR efforts. Going forward, the Sumitomo Rubber Group will build on its harmonious and cooperative relationships with its suppliers to continuously expand the scope of its CSR activities along its entire supply chain. At the same time, the Group will work to further promote CSR initiatives on its own as its customers' trusted supplier.

For details on the Group's CSR activities, please read the *Sumitomo Rubber Group CSR Report*, which is also available on the Group website.

http://www.srigroup.co.jp/english/csr/index.html

Sumitomo Rubber Industries' basic management policy is to enhance its corporate value as a promising and reliable global company for the benefit of all stakeholders, including shareholders. Under this policy, the Company considers the enhancement of corporate governance as a major management objective in its efforts to better fulfill its social responsibility and enhance its transparency. This policy will help to strengthen Group management and establish deep relationships of trust with society, while ensuring Groupwide business efficiency.

Corporate Governance Structure

Sumitomo Rubber Industries has adopted a corporate system with a Board of Auditors and maintains directors, a general meeting of shareholders, accounting auditors and the following bodies.

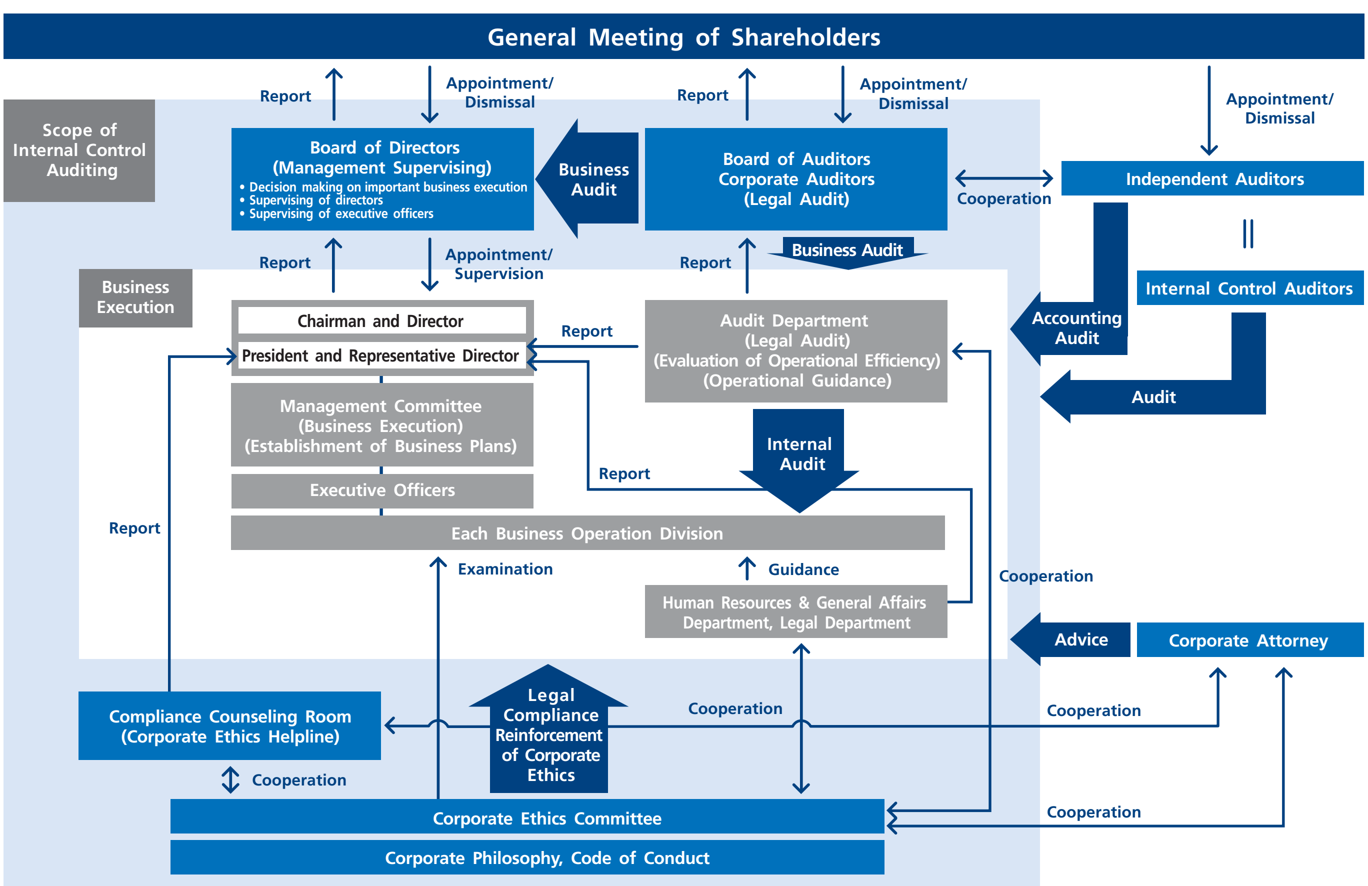
The Company's Board of Directors deliberates and determines matters of managerial importance and supervises directors' execution of operations. As of March 28, 2014, the Board of Directors was composed of 10 members, two of whom were external directors.

Corporate auditors independently audit directors' execution of operations. As of March 28, 2014, the Company maintained a structure of five corporate auditors, two of whom are full-time corporate auditors. Full-time corporate auditors attend important internal meetings and confirm important documents for approval.

The Board of Auditors is composed of all of the Company's corporate auditors. To reinforce the management auditing function, three of the five corporate auditors serve as external auditors, securing a structure to conduct fair and objective audits.

In addition to the abovementioned organizations stipulated under Japan's Corporation Law, the Company established a Management Committee composed of internal directors and executive officers appointed by the president. With the attendance of full-time corporate auditors, the Management Committee makes prompt managerial decisions based on discussions or the reporting of matters considered to be important to management.

Furthermore, the Company adopted an executive officer system in March 2003. This system was put in place with the aim of establishing a management structure that promotes the separation of management supervision and execution, clarifies the rights and responsibilities of each business and promptly responds to changes in the business environment. As of March 28, 2014, there were 19 executive officers, 12 of whom did not serve concurrently as directors.



Audits by Corporate Auditors, Internal Audits and Accounting Audits

In accordance with audit plans and policies set out by the Board of Auditors, each corporate auditor attends important meetings, including Board of Directors' meetings; hears reports on the status of job execution from directors and internal audits; reviews important approval documents; and implements on-site audits at the Head Office, major business sites and subsidiaries. In addition, corporate auditors review each others' reports on auditing status while working closely with accounting auditors to ensure that audits are conducted in an appropriate manner.

Sumitomo Rubber Industries' internal audit function is the responsibility of the Audit Department. Under the direct control of the president, the Audit Department is composed of 14 staff and one full-time assistant to the corporate auditors. The Audit Department conducts audits of the Group as a whole and evaluates its internal control system over the Group's financial reporting. In accordance with audit policies and annual internal audit plans, the Audit Department implements onsite audits of the Head Office, major business sites and subsidiaries to evaluate the efficacy, efficiency and degree of compliance adequacy in connection with the execution of operations at each division and department and related Group company. On the completion of an internal audit, the results and any recommendations for improvement are reported to the president and the Board of Auditors in an effort to ensure reciprocal collaboration. The Audit Department and accounting auditors facilitate closer collaboration as needed to fulfill their duties.

For accounting audits, the Company has entered into an audit agreement with KPMG AZSA LLC in line with the Corporation and the Financial Instruments and Exchange Laws.

External Directors and External Corporate Auditors

As of March 28, 2014, Sumitomo Rubber Industries had two external directors and three external corporate auditors.

Keizo Kosaka, one of the Company's external directors, attended all of the 14 Board of Directors' meetings held during 2013. Leveraging his abundant knowledge as a lawyer who excels at corporate legal affairs, he provides valuable comments and opinions from an objective perspective and, therefore, the Company anticipates that he will help enhance its corporate governance.

Fumikiyo Uchioke, who was appointed as an external director at the General Meeting of Shareholders held on March 28, 2013, attended all of the 11 Board of Directors' meetings held subsequent to said General Meeting of Shareholders. As a serving member of the board at Sumitomo Electric Industries, Ltd., he leverages his experience in corporate management to provide advice and opinions that are valuable in the broad aspects of the Company's operations. Accordingly, the Company expects that he will make constant contributions to the enhancement of its corporate governance.

Tadao Kagono, one of the Company's external corporate auditors, attended all of the 14 Board of Directors' meetings as well as the 14 Board of Auditors' meetings held in 2013. Leveraging his academic expertise and considerable knowledge as a university professor specializing in business administration, he provides opinions on directors' execution of operations from an objective perspective. Therefore, the Company anticipates that he will help reinforce its auditing system.

Morihiro Murata, one of the Company's external corporate auditors, attended all of the 14 Board of Directors' meetings as well as the 14 Board of Auditors' meetings held in 2013. Leveraging his considerable knowledge of finance and accounting as a certified public accountant and a tax accountant as well as auditing experience as a part-time corporate auditor at Kagome Co., Ltd., he provides opinions on directors' execution of operations from an objective perspective and is expected to help strengthen the Company' auditing system.

Tetsuji Akamatsu, who was newly appointed as an external corporate auditor at the Ordinary General Meeting of Shareholders held on March 28, 2014, has served as the president of KINREI CORPORATION and as a corporate auditor at Cogene Techno Service Co., Ltd. (currently, Creative Techno Solution Co., Ltd.) Because of his experience in corporate management and abundant knowledge in this area, the Company expects that he will make contributions to the reinforcement of its auditing system.

In accordance with regulations stipulated by the Tokyo Stock Exchange, Sumitomo Rubber Industries has designated and registered all of its external directors and corporate auditors as independent directors and corporate auditors whose interests are not considered to be in conflict with the interests of the general shareholders.

Remuneration of Directors and Corporate Auditors

Total Amount of Remuneration for Directors and Corporate Auditors in Fiscal 2013

	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of persons to be paid
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Directors (excluding external directors)	468	328	—	140	—	9
Corporate auditors (excluding external corporate auditors)	44	44	—	—	—	2
External directors and external corporate auditors	33	33	—	—	—	6

Notes:

1. The number of persons to be paid refers to the total number of remuneration recipients.
2. As of December 31, 2013, Sumitomo Rubber Industries had 10 directors and five corporate auditors. The difference between the actual number of directors and corporate auditors and the number of persons to be paid is due to two corporate auditors resigning during the fiscal year under review.
3. The maximum total amount of remuneration for directors and corporate auditors was resolved not to exceed ¥600 million per year and ¥70 million per year, respectively, at the 115th Ordinary General Meeting of Shareholders held on March 29, 2007. In fiscal 2013, the Company paid ¥483 million in total to 12 directors and ¥62 million in total to five corporate auditors, including those who retired during the fiscal year under review.
4. Total amount of remuneration paid for each director or corporate auditor is not presented because there was no director or corporate auditor who received remuneration exceeding ¥100 million.

Remuneration Amount and Its Calculation Method

Sumitomo Rubber Industries' remuneration for directors consists of basic compensation and bonuses, and it is paid within the framework approved at its General Meeting of Shareholders. The basic compensation is determined based comprehensively on each director's position, duties, responsibilities and the Company's business results. The amount of each bonus is determined in accordance with an evaluation of the Company's business results as well as each director's business execution.

The amount of remuneration for corporate auditors is determined in discussions among corporate auditors and paid within the framework approved at the Company's General Meeting of Shareholders.

For the determination of the amount of remuneration for directors and corporate auditors, the Company maintains objectivity by making use of a third party's survey of Japanese companies with a business scale equivalent to that of Sumitomo Rubber Industries.

Internal Control System

Implementation and Status of the Internal Control System

Sumitomo Rubber Industries resolved its basic policy regarding the development of its internal control system based on Japan's Corporation Law at a Board of Directors' meeting and disclosed it to the public. In addition, the Company developed an internal control system based on the Financial Instruments and Exchange Law as well as evaluation, audit and practice standards as stipulated by the Financial Service Agency with the aim of reinforcing the Company's structure to ensure the appropriateness of both in-house and subsidiaries' financial reporting.

Compliance System

Based on compliance with social norms, which are stipulated in the Company's Code of Conduct, Sumitomo Rubber Industries maintains the guideline that corporate activities must adhere to laws and ordinances, social norms and public decency. In addition, the Company strives to increase awareness and ensure strict legal compliance. In order to fulfill its corporate social responsibility, Sumitomo Rubber Industries established the basic objective of complying with laws and its Articles of Incorporation while establishing a strict code of corporate ethics and ensuring sound business operations. To that end, the Company formulated its "Regulations on Corporate Ethics Activities" and established the Corporate Ethics Committee in February 2003. In addition, Sumitomo Rubber Industries set up a compliance counseling room directly controlled by the president as a corporate ethics helpline for employees. This enables the Corporate Ethics Committee to investigate any problems that arise and give sufficient attention to ensuring that those employees who come forward are not penalized. Furthermore, with a close eye on legal issues, the Company takes such measures as seeking advice from corporate attorneys as circumstances demand.

Risk Management System

With regard to a variety of management risks that could exert a significant impact on the Company's business operations, including issues with product quality, legal requirements, environmental concerns, credit, accidents and disasters, each division and department undertakes preemptive analyses of potential risks and formulates appropriate countermeasures, which are discussed at management meetings in accordance with the risk management rules. When conducting risk analysis and formulating countermeasures, the Company requests on an as-needed basis advice and instruction from specialists, such as corporate attorneys. For cross-departmental risks, each administration department works in close collaboration with related divisions and departments in their respective areas of operation to conduct Companywide countermeasures.

Furthermore, Sumitomo Rubber Industries established a Risk Management Committee based on its risk management rules. The Risk Management Committee controls Companywide risk management activities and investigates such activities to confirm the effectiveness of the risk management system. Should significant risks materialize, or be expected to materialize, the Company president will establish a risk control headquarters based on the risk management rules.

Directors, Corporate Auditors and Executive Officers

(As of March 28, 2014)

Board of Directors

Chairman of the Board and Director
Tetsuji Mino

President and CEO, Representative Director
Ikuji Ikeda

Representative Director and Executive Vice President
Hiroaki Tanaka

Representative Director and Managing Executive Officer
Minoru Nishi

Director and Senior Executive Officer
Kenji Onga

Director and Senior Executive Officer
Yasutaka Ii

Director and Senior Executive Officer
Hiroki Ishida

Director and Senior Executive Officer
Yutaka Kuroda

Director (External)*
Keizo Kosaka

Director (External)*
Fumikiyo Uchioke

Corporate Auditors

Corporate Auditor (Full-time)
Toshiyuki Noguchi

Corporate Auditor (Full-time)
Yasuyuki Sasaki

Corporate Auditor (External)*
Tadao Kagono

Corporate Auditor (External)*
Morihiro Murata

Corporate Auditor (External)*
Tetsuji Akamatsu

Executive Officers

Senior Executive Officer
Kozaburo Nakaseko

Senior Executive Officer
Satoru Yamamoto

Executive Officer
Naoki Yamada

Executive Officer
Naofumi Harada

Executive Officer
Norifumi Fujimoto

Executive Officer
Masaharu Ono

Executive Officer
Tetsuhiko Yoshioka

Executive Officer
Takanori Aoi

Executive Officer
Hidekazu Nishiguchi

Executive Officer
Takashi Kono

Executive Officer
Toshihiko Komatsu

Executive Officer
Tomohiko Masuta

* Registered as independent directors and corporate auditors in accordance with regulations stipulated by the Tokyo Stock Exchange

Financial Section

11-Year Summary of Consolidated Financial Data

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

				Millions of yen
Years ended December 31	**2013**	2012	2011	2010
For the year:				
Net sales	**¥780,609**	¥710,247	¥676,904	¥604,549
Cost of sales	**486,704**	450,226	445,426	387,678
Selling, general and administrative expenses	**216,850**	190,298	177,554	169,300
Operating income	**77,055**	69,723	53,924	47,571
Net income	**44,794**	35,451	28,386	21,427
Depreciation and amortization	**43,279**	36,278	37,606	37,885
Capital expenditures	**57,270**	56,889	48,515	32,055
R&D expenses	**21,822**	19,539	19,274	18,698
Cash flows from operating activities	**77,012**	76,643	18,945	69,725
Cash flows from investing activities	**(68,275)**	(62,167)	(51,569)	(35,400)
Cash flows from financing activities	**(5,824)**	(15,835)	28,009	(25,634)
At year-end:				
Total assets	**¥867,464**	¥737,528	¥671,611	¥622,243
Net assets	**358,844**	271,103	222,175	212,964
Equity	**329,813**	244,165	197,661	189,684
Interest-bearing debt	**302,113**	275,876	274,216	241,250

				Yen
Per share amounts:				
Net income	**¥ 170.76**	¥ 135.13	¥ 108.20	¥ 81.67
Net income—diluted	**—**	—	—	—
Cash dividends paid	**40.00**	30.00	23.00	20.00

				Percent
Key ratios and metrics:				
Operating income ratio	**9.9%**	9.8%	8.0%	7.9%
ROE	**15.6**	16.0	14.7	11.4
ROA (operating income base)	**9.6**	9.9	8.3	7.7
Equity ratio	**38.0**	33.1	29.4	30.5
Tire sales volume (millions of tires)	**100.42**	96.48	94.88	90.87
Number of employees	**26,773**	23,507	22,320	22,242
Number of shares issued at year-end	**263,043,057**	263,043,057	263,043,057	263,043,057
Number of treasury stock at year-end	**715,318**	710,059	707,026	704,248

Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥105 per US$1.00, the approximate exchange rate prevailing at December 31, 2013.
2. From 2006, Sumitomo Rubber has applied the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and the "Accounting Standard for Presentation of Net Assets in the Balance Sheet and its Implementation Guidance" (ASBJ Guidance No. 8, issued on December 9, 2005). Equity figures for 2006 and beyond represent the sum of total shareholders' equity and total accumulated other comprehensive income in the consolidated balance sheets. For years prior to and including 2005, figures for the former shareholders' equity categorization are shown.
3. Depreciation and amortization include both tangible assets and intangible assets.

2009	2008	2007	2006	2005	2004	2003	2013
						Millions of yen	Thousands of U.S. dollars (Note 1)
¥524,535	¥604,974	¥567,307	¥534,086	¥512,838	¥470,562	¥450,491	**$7,434,371**
334,249	412,824	368,783	342,856	307,538	288,684	281,392	**4,635,276**
161,547	166,491	153,398	154,440	155,374	136,352	131,333	**2,065,238**
28,739	25,659	45,126	36,790	49,926	45,526	37,766	**733,857**
9,093	1,021	19,499	27,586	25,640	19,169	13,095	**426,610**
37,425	35,475	30,165	27,052	25,755	25,098	24,313	**412,181**
32,484	49,601	53,205	45,308	40,415	36,881	29,171	**545,429**
17,983	19,351	18,223	17,291	16,259	15,730	14,058	**207,829**
64,525	25,879	56,594	23,872	38,984	32,056	44,225	**733,448**
(34,260)	(58,067)	(65,167)	(33,923)	(42,878)	(37,622)	(28,545)	**(650,238)**
(22,781)	34,088	8,692	14,687	(3,376)	7,609	(20,821)	**(55,467)**
¥613,230	¥639,941	¥671,117	¥606,938	¥563,442	¥520,157	¥481,553	**$8,261,562**
209,052	202,642	250,799	223,852	—	—	—	**3,417,562**
187,028	180,940	227,780	202,003	174,267	145,492	110,395	**3,141,076**
261,572	275,746	239,573	219,372	205,751	201,929	210,681	**2,877,267**
						Yen	U.S. dollars (Note 1)
¥ 34.66	¥ 3.89	¥ 74.31	¥ 105.13	¥ 97.10	¥ 78.64	¥ 55.07	**$ 1.626**
—	—	—	—	—	—	—	**—**
18.00	18.00	20.00	20.00	20.00	14.00	12.00	**0.381**
						Percent	
5.5%	4.2%	8.0%	6.9%	9.7%	9.7%	8.4%	
4.9	0.5	9.1	14.7	16.0	15.0	12.4	
4.6	3.9	7.1	6.3	9.2	9.1	7.9	
30.5	28.3	33.9	33.3	30.9	28.0	22.9	
76.49	87.34	81.70	75.55	73.12	67.10	61.69	
20,832	20,369	18,410	16,031	17,433	16,737	15,573	
263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	263,043,057	242,543,057	
699,745	696,200	688,541	658,071	634,805	467,371	3,782,837	

Scope of Consolidation

The Sumitomo Rubber Group's consolidated financial statements include those of Sumitomo Rubber Industries and its 69 consolidated subsidiaries, as well as 13 equity-method affiliates (4 nonconsolidated subsidiaries and 9 affiliated companies).

In fiscal 2013, ended December 31, 2013, seven subsidiaries were newly included in the Company's scope of consolidation while three others were excluded. Of these seven subsidiaries, a Thai subsidiary operating a natural rubber processing factory and an Indian tire sales subsidiary were included due to their increased importance to the Group while four tire sales subsidiaries were newly established in China and thus included in the scope of consolidation. Also, the Company acquired a South African tire production and sales company, making it a consolidated subsidiary.

The three newly excluded companies comprised a domestic subsidiary administrating tire exports and a domestic sports goods sales company that were excluded due to mergers, while a golf course operation company was excluded because its stocks were transferred.

Business Environment

During fiscal 2013, the U.S. economy was bolstered by a modest but constant recovery while the European economy, which had been saddled with uncertainty due to anxiety about weakening, began to see signs of upswing. Asian and other emerging economies enjoyed a stable growth as a whole, although the pace of growth varied by country and region. Thus, a sense of a stable recovery prevailed in the overall global economy. In Japan, the ongoing depreciation of the yen boosted corporate earnings while private-sector consumption and capital investment remained stable, leading to a gradual economic recovery.

However, the business environment surrounding the Group remained harsh due to intensifying competition, particularly in the overseas tire replacement market, despite consistently low natural rubber prices and an improvement in export conditions accompanying the depreciation of the yen.

Revenues and Earnings

In fiscal 2013, consolidated net sales grew 9.9% from the previous fiscal year to ¥780,609 million. Overseas sales climbed 18.4% to ¥398,532 million and the overseas sales ratio increased 3.7 percentage points to 51.1%.

The cost of sales increased 8.1% year on year to ¥486,704 million. The cost of sales ratio improved, decreasing 1.1 percentage points year-on-year to 62.3% owing to consistently low market price of natural rubber. Gross profit rose 13.0% to ¥293,905 million.

Selling, general and administrative expenses grew 14.0% year on year to ¥216,850 million. This was mainly attributable to increases in advertising costs and other expenses associated with sales expansion measures, transportation, storage and packaging expenses, incentive bonuses and commission fees. The ratio of selling, general and administrative expenses to net sales edged up 1.0 percentage point year on year to 27.8%.

As a result, operating income for the fiscal year under review climbed 10.5% to ¥77,055 million and the operating income ratio edged up 0.1 of a percentage point to 9.9%.

Net other income (expenses) improved from a negative ¥5,661 million to a negative ¥3,034 million. Major factors contributing to the improvement included year-on-year decreases in equity in loss of unconsolidated subsidiaries and affiliates and impairment loss on fixed assets, totaling ¥735 million and ¥1,602 million, respectively.

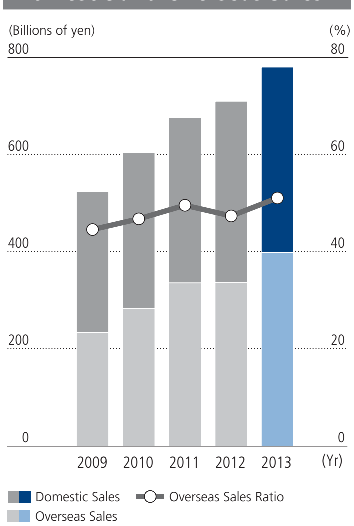
Reflecting these factors, income before income taxes and minority interests rose 15.5% year on year to ¥74,021 million. Income taxes increased 9.3% to ¥26,369 million, representing an effective tax rate of 35.6%, a decrease of 2.1 percentage points. After deducting minority interests in income, net income expanded 26.4% to ¥44,794 million. Net income per share was ¥170.76, and ROE (on a net income basis) edged down 0.4 of a percentage point to 15.6%, reflecting a substantial increase in total equity.

Results by Industry Segment

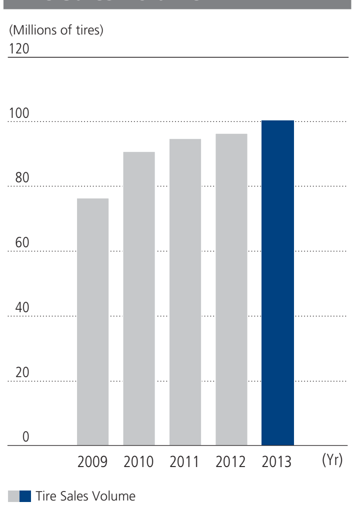
Tire Business

Sales in the Tire business increased 10.0% year on year to ¥681,100 million, while operating income rose 10.7% to ¥69,850 million. During the fiscal year under review, although product prices fell due to intensifying competition mainly in the overseas replacement market, raw material prices continued to decline and the yen depreciated in value against foreign currencies. Consequentially, a decline in raw material prices

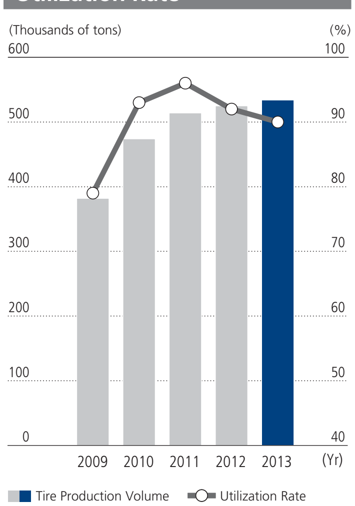
Domestic and Overseas Sales



Tire Sales Volume



Tire Production Volume and Utilization Rate



contributed to an approximately ¥34.7 billion year-on-year increase in profit, while a fall in sales prices led to an approximately ¥26.0 billion decrease in profit. The depreciation of the yen boosted profit about ¥11.0 billion. In addition, the Group took various steps aimed at improving profitability, including expanding sales of such high-value-added products as fuel-efficient tires, reinforcing production capacity at overseas factories and pursuing productivity enhancement. These steps, in turn, led to an overall increase in profit for the Tire business.

Sports Business

Sales in the Sports business grew 8.0% year on year to ¥66,261 million, while operating income fell 10.6% to ¥3,992 million. The XXIO 7 series, Dunlop Sports' flagship golf clubs aimed at the domestic market, continued to garner rave reviews even two years after their release, while The XXIO 8 series got off to a strong start after its launch in December 2013. However, the depreciation of the yen caused raw material costs to increase, leading to a decrease in profit.

Industrial and Other Products Business

Sales in the Industrial and Other Products business grew 12.6% from the previous fiscal year to ¥33,248 million, while operating income surged 49.8% to ¥3,205 million. Main contributors to the increase in profit included favorable sales of such products as medical rubber parts and the MIRAIE brand vibration control units for housing, sales of which were up thanks to the augmentation of the product lineup.

R&D Expenses

Research and development expenses increased 11.7% year on year to ¥21,822 million. The ratio of such expenses to consolidated net sales remained unchanged year on year at 2.8%. The Tire business accounted for ¥18,976 million of these expenses, up 11.4% from the previous fiscal year, the Sports business ¥1,337 million, up 15.8%, and the Industrial and Other Products business ¥1,509 million, up 11.8%.

Dividends

Sumitomo Rubber Industries recognizes that the return of gains to shareholders is a priority issue. Backed by the comprehensive assessment of dividend payout ratios on a consolidated basis, performance prospects and the level of retained earnings, the Company maintains a basic policy of steadily rewarding shareholders over the long term. In addition, in accordance with a resolution the Company distributes retained earnings twice a year as dividends. The year-end dividend payment is resolved at the General Shareholders' meeting, while the interim dividend payment is determined at the Board of Directors' meeting.

The full-year dividend for fiscal 2013 increased ¥10 per share from the previous fiscal year to ¥40 per share, which comprised a ¥15 interim dividend and a ¥25 year-end dividend. The dividend payout ratio on a consolidated basis was 23.4%.

Financial Position

Total assets as of December 31, 2013, were up ¥129,936 million year on year to ¥867,464 million. Total current assets rose ¥51,308 million to ¥407,483 million. This was due mainly to increases in notes and accounts receivable and inventories.

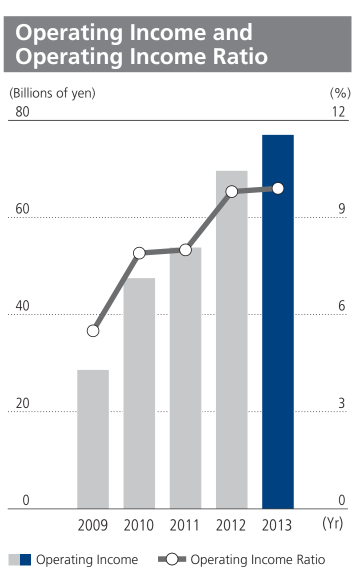
Total noncurrent assets climbed ¥78,628 million to ¥459,981 million, mainly reflecting increases in property, plant and equipment through capital investment as well as in investments in securities.

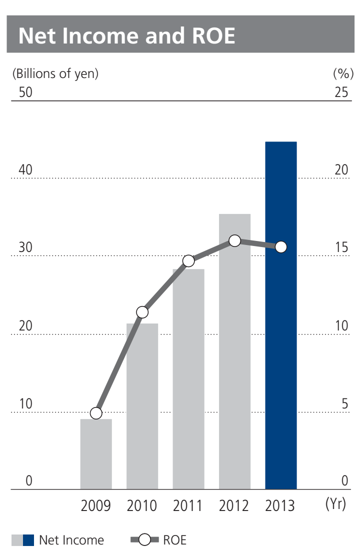
As of the end of the fiscal year under review, total liabilities were up ¥42,195 million from the previous fiscal year-end to ¥508,620 million. Interest-bearing debt as of the fiscal 2013 year-end increased ¥26,237 million to ¥302,113 million. However, the debt-to-equity ratio improved from 1.1 times as of the previous fiscal year-end to 0.9 times.

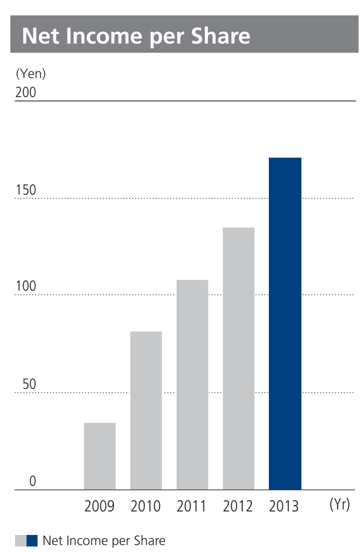
Total net assets at the fiscal year-end were up ¥87,741 million to ¥358,844 million, and net assets per share were ¥1,257.25, up from ¥930.74 at the previous fiscal year-end. Of the items comprising net assets, total equity, which is the sum of shareholders' equity and accumulated other comprehensive income, grew ¥85,648 million year on year to ¥329,813 million. The equity ratio was up 4.9 percentage points to 38.0%. ROA (on an operating income basis) declined 0.3 of a percentage point to 9.6% in step with an increase in total assets, despite growth in operating income.

Capital Expenditures

During the fiscal year under review, the Group's capital expenditures amounted to ¥57,270 million (including leased tangible assets), a year-on-year rise of 0.7%.







The Tire business accounted for ¥54,268 million of the total, up 0.6% year on year. Funds were used mainly for facility renovation at domestic factories aimed at the streamlining of production with an eye to improving labor efficiency as well as for the reinforcement of production facilities at a factory in Thailand and a factory construction project in Brazil. The Sports business spent ¥1,858 million, down 10.4% from the previous fiscal year, mainly for the streamlining of production facilities and manufacture of metal molds for new products at domestic factories as well as for the reinforcement of production facilities at overseas factories. The Industrial and Other Products business used ¥1,143 million, up 30.8% year on year, to increase the medical rubber parts production capacity of the Kakogawa Factory. The necessary funds were furnished through a combination of cash on hand and borrowings.

Cash Flows

Net cash provided by operating activities was up ¥369 million year on year to ¥77,012 million. Major cash inflows included higher income before income taxes and minority interests as well as depreciation and amortization. Major cash outflows included an increase in notes and accounts receivable—trade.

Net cash used in investing activities increased ¥6,108 million to ¥68,275 million. A primary factor resulting in the change in outflow was ¥5,736 million used for the purchase of investments in subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities totaled ¥5,824 million, down ¥10,011 million compared with the previous fiscal year. Primary cash inflows included an ¥8,422 million net increase in short-term loans payable while outflows included funds appropriated for the payment of cash dividends totaling ¥9,182 million.

These activities, along with the significant effect of exchange rate changes on cash and cash equivalents, resulted in cash and cash equivalents at the end of the fiscal year under review rising ¥9,128 million to ¥42,004 million.

Free cash flow was a positive balance of ¥8,737 million. This was mainly owing to the recording of income before income taxes and minority interests.

For the years ahead, the Sumitomo Rubber Group plans to step up capital expenditure, mainly to meet expanding demand overseas by reinforcing production capacity. Simultaneously, the Group will aim to expand the inflow of cash from operating activities by increasing sales volumes and improving profitability. By doing so, the Group will make every effort to ensure not only business growth but secure cash liquidity and improved financial standing.

Outlook

On the global level, the U.S. economy is likely to continue to see a gradual growth, while in the European economy is anticipated to begin recovering despite lingering financial anxieties. Although emerging nations are expected to enjoy stable economic growth, some of these nations might be negatively impacted by fund speculation, which could, in turn, trigger economic uncertainty.

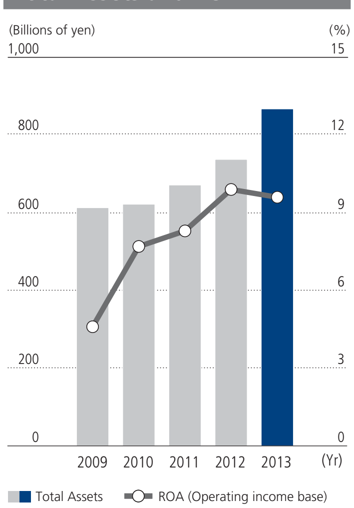
As for Japan's economic prospects, although the recovery is expected to sustain its current momentum, consumer confidence is likely to be undercut by the effect of the April 2014 consumption tax hike and fiscal uncertainty.

With the aim of addressing issues related to this severe business environment, the Group will take on various tasks while considering the risk factors mentioned in the following "Risk Information" section.

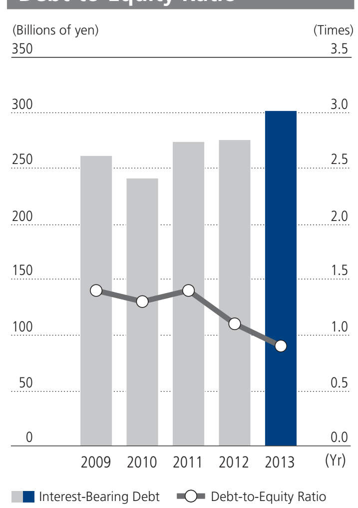
In the Tire business, Sumitomo Rubber Industries will maintain and enhance its presence in the domestic fuel-efficient tire market and, to this end, introduce new items in this category. Overseas, the Company will seek to expand sales in emerging countries, where demand is robust, while penetrating markets around the globe by introducing tires compliant with environmental regulations. Also, in unison with its efforts aimed at expanding sales in markets worldwide, the Company will increase production capacity and develop a supply structure to support sustainable business growth.

In the Sports business, the business environment will remain severe due to ongoing market shrinkage with regard to golf and tennis equipment and the further intensification of competition overseas. Amid this environment, Dunlop Sports will accelerate its business growth by working to expand global operations, focusing mainly on golf goods. In the

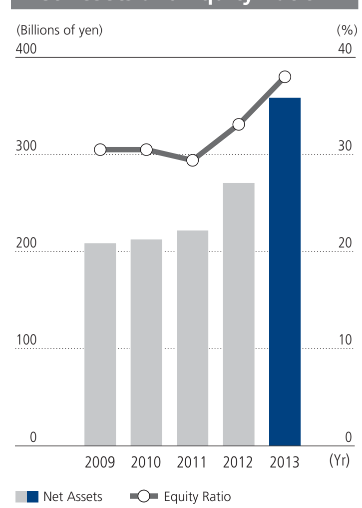
Total Assets and ROA



Interest-Bearing Debt and Debt-to-Equity Ratio



Net Assets and Equity Ratio



Industrial and Other Products business, Sumitomo Rubber Industries will strive to expand sales of such products as medical rubber parts and the MIRAIE brand vibration control units for housing.

Risk Information

The Sumitomo Rubber Group has identified the following key risk factors that may affect its business performance and financial position.

Risk factors relating to future business results were determined based on information available to management as of the end of the fiscal year under review. The Group recognizes that such risks may occur, and it strives to address them accordingly.

Exchange Rate Fluctuations

Exchange rate fluctuations influence the value of the Group's exports, raw material procurement, foreign currency-denominated assets, liabilities and financial statements. The appreciation of the yen against foreign currencies such as the U.S. dollar may have an adverse effect on the Group's business performance and financial position. Since the Group has raised its consolidated overseas sales ratio from 25.2% in fiscal 2001 to 51.1% in fiscal 2013, the possibility exists that its results may be further affected by exchange rate fluctuations. The Sumitomo Rubber Group utilizes forward-exchange contracts and maintains a balance in its export and import activities on an individual currency basis with the aim of minimizing its exposure to exchange rate fluctuations. Such precautions, however, may not be sufficient to avoid all possible exchange rate fluctuation risks.

Change in Raw Material Prices

The Sumitomo Rubber Group's principal raw materials are natural rubber, petrochemicals and metals. The Group's operating results may thus be affected by price increases in natural rubber, crude oil, steel and other related materials.

Changes in Interest Rates

Promoting the reduction of interest-bearing debt to improve its financial standing, the Group also implements countermeasures to minimize the risk of changes in interest rates by using diversified financing methods and interest rate swaps. Despite these efforts, the Group's operating results and financial position may be affected in the event of rising fund procurement costs due to an increase in interest rates in the medium and long term.

Product Quality

In accordance with prescribed quality standards, the Sumitomo Rubber Group undertakes full-scale measures to assure product quality. Yet it is difficult to reduce the number of defective products and customer complaints to zero. To offset the possibility of any claims for damages resulting from defective products, the Group retains appropriate indemnity insurance. Despite this initiative, there is the possibility that a claim may occur that cannot be compensated by insurance. Furthermore, costs associated with the resolution of claims as well as product recalls or exchanges may arise. Such incidents may affect the Group's operating results, financial position and social standing.

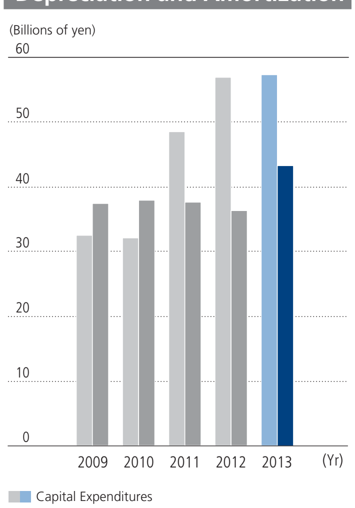
Alliance with Goodyear

Based on its alliance with Goodyear, the Group operates several joint ventures. Under the alliance, these joint ventures engage in tire production and sales in Europe and North America as well as tire sales in Japan in addition to the promotion of tire technology exchanges and procurement. The Group also maintains cross-shareholdings with Goodyear. As each joint venture is included in the Group's scope of consolidation as a consolidated subsidiary or an equity-method affiliate, changes in the alliance with Goodyear or the operating results of joint ventures may impact the Group's operating results.

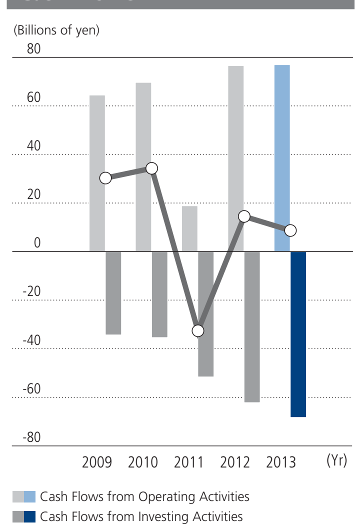
Disasters

Concentrating on Japan and other Asian countries, the Sumitomo Rubber Group develops its business on a global scale. The Group's operating results may be affected directly or indirectly by such events as natural disasters, disease, war and terrorism. Such events may have a negative impact on the Group's operating results.

Capital Expenditures/ Depreciation and Amortization



Cash Flows



Consolidated Balance Sheets

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
December 31	**2013**	2012	**2013**
Assets			
Current assets:			
Cash and time deposits (Notes 3 and 4)	**¥ 42,441**	¥ 33,514	**$ 404,200**
Notes and accounts receivable (Note 4)—			
Trade	**196,996**	161,747	**1,876,152**
Unconsolidated subsidiaries and affiliates	**1,192**	1,179	**11,352**
Other	**19,389**	21,679	**184,657**
Allowance for doubtful accounts	**(1,945)**	(1,540)	**(18,524)**
Inventories (Note 5)	**130,427**	122,909	**1,242,162**
Short-term loans	**1,415**	100	**13,476**
Deferred tax assets (Note 12)	**12,557**	12,652	**119,590**
Other	**5,011**	3,935	**47,725**
Total current assets	**407,483**	356,175	**3,880,790**
Property, plant and equipment (Note 8):			
Land	**37,127**	36,707	**353,590**
Buildings and structures	**187,486**	167,296	**1,785,581**
Machinery, vehicles and equipment	**560,679**	499,208	**5,339,800**
Leased assets	**8,141**	6,768	**77,533**
Construction in progress	**33,224**	29,000	**316,420**
Accumulated depreciation	**(509,682)**	(468,154)	**(4,854,114)**
Net property, plant and equipment	**316,975**	270,825	**3,018,810**
Investments and other assets:			
Investments in securities (Notes 4 and 6)	**27,925**	17,108	**265,952**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 4)	**41,664**	30,798	**396,800**
Long-term loans	**1,313**	3,053	**12,505**
Deferred tax assets (Note 12)	**6,010**	6,473	**57,238**
Long-term prepaid expenses	**3,747**	2,170	**35,686**
Trademarks (Note 9)	**1,683**	387	**16,029**
Goodwill and other intangible assets	**25,200**	18,731	**240,000**
Prepaid pension cost (Note 13)	**21,135**	21,817	**201,286**
Other	**15,294**	10,981	**145,656**
Allowance for doubtful accounts	**(965)**	(990)	**(9,190)**
Total investments and other assets	**143,006**	110,528	**1,361,962**
Total assets	**¥867,464**	¥737,528	**$8,261,562**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Notes 4 and 10)	**¥ 89,719**	¥ 71,385	**$ 854,467**
Current portion of long-term debt (Notes 4 and 10)	**58,853**	25,519	**560,505**
Notes and accounts payable (Note 4)—			
Trade	**76,044**	71,940	**724,229**
Unconsolidated subsidiaries and affiliates	**697**	867	**6,638**
Construction	**11,733**	10,164	**111,743**
Other	**35,647**	32,938	**339,495**
Accrued expenses	**20,055**	15,967	**191,000**
Allowance for sales returns	**2,645**	2,608	**25,190**
Accrued income taxes (Note 12)	**10,437**	15,642	**99,400**
Other (Note 12)	**7,356**	5,642	**70,057**
Total current liabilities	**313,186**	252,672	**2,982,724**
Long-term liabilities:			
Long-term debt (Notes 4 and 10)	**153,541**	178,972	**1,462,295**
Deferred tax liabilities (Note 12)	**15,983**	10,267	**152,219**
Accrued retirement benefits (Note 13)	**13,959**	12,778	**132,943**
Other	**11,951**	11,736	**113,819**
Total long-term liabilities	**195,434**	213,753	**1,861,276**
Contingent liabilities (Note 17)			
Net Assets			
Shareholders' equity:			
Common stock—			
Authorized: 800,000,000			
Issued: 263,043,057 shares in 2013 and 2012	**42,658**	42,658	**406,267**
Capital surplus	**38,661**	38,661	**368,200**
Retained earnings	**224,681**	188,700	**2,139,819**
Less treasury stock, at cost—			
2013—715,318 shares			
2012—710,059 shares	**(551)**	(543)	**(5,248)**
Total shareholders' equity	**305,449**	269,476	**2,909,038**
Accumulated other comprehensive income:			
Net unrealized gains and losses on available-for-sale securities	**11,521**	4,737	**109,724**
Deferred gains and losses on hedges	**164**	158	**1,562**
Currency translation adjustments	**31,676**	(8,736)	**301,676**
Adjustments for retirement obligation of foreign affiliates	**(18,997)**	(21,470)	**(180,924)**
Total accumulated other comprehensive income	**24,364**	(25,311)	**232,038**
Minority interests	**29,031**	26,938	**276,486**
Total net assets	**358,844**	271,103	**3,417,562**
Total liabilities and net assets	**¥867,464**	¥737,528	**$8,261,562**

Consolidated Statements of Income

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2013**	2012	**2013**
Net sales	**¥780,609**	¥710,247	**$7,434,371**
Cost of sales	**486,704**	450,226	**4,635,276**
Gross profit	**293,905**	260,021	**2,799,095**
Selling, general and administrative expenses	**216,850**	190,298	**2,065,238**
Operating income	**77,055**	69,723	**733,857**
Other income (expenses):			
Interest and dividend income	**1,446**	1,169	**13,771**
Interest expense	**(4,811)**	(4,644)	**(45,819)**
Gain on sales of property, plant and equipment	**647**	—	**6,162**
Loss on sales and retirement of property, plant and equipment	**(761)**	(867)	**(7,248)**
Foreign exchange gains and losses	**(3,562)**	947	**(33,924)**
Equity in losses of unconsolidated subsidiaries and affiliates	**(356)**	(1,091)	**(3,390)**
Impairment loss (Note 19)	**(136)**	(1,738)	**(1,295)**
Gain on valuation of derivatives	**4,098**	789	**39,029**
Other, net	**401**	(226)	**3,819**
	(3,034)	(5,661)	**(28,895)**
Income before income taxes and minority interests	**74,021**	64,062	**704,962**
Income taxes (Note 12):			
Current	**24,682**	25,071	**235,066**
Deferred	**1,687**	(949)	**16,067**
	26,369	24,122	**251,133**
Income before minority interests	**47,652**	39,940	**453,829**
Minority interests in income	**(2,858)**	(4,489)	**(27,219)**
Net income	**¥ 44,794**	¥ 35,451	**$ 426,610**

	Yen		U.S. dollars (Note 1)
Per share amounts:			
Net income	**¥170.76**	¥135.13	**$1.626**
Cash dividends	**40.00**	30.00	**0.381**

Consolidated Statements of Comprehensive Income

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2013**	2012	**2013**
Income before minority interests	**¥47,652**	¥39,940	**$453,829**
Other comprehensive income (Note 11):			
Net unrealized gains and losses on available-for-sale securities	**6,844**	1,944	**65,181**
Deferred gains and losses on hedges	**6**	188	**57**
Currency translation adjustments	**36,886**	18,573	**351,294**
Adjustments for retirement obligation of foreign affiliates	**(27)**	(15)	**(257)**
Share of other comprehensive income of affiliates under the equity method	**7,838**	(2,041)	**74,648**
	51,547	18,649	**490,923**
Comprehensive income	**¥99,199**	¥58,589	**$944,752**
Comprehensive income attributed to:			
Owners of the Company	**¥94,470**	¥53,085	**$899,714**
Minority interests	**4,729**	5,504	**45,038**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Minority interests	Total net assets
Balance at beginning of fiscal 2012	¥42,658	¥38,661	¥159,827	¥(540)	¥2,816	¥ (30)	¥(29,761)	¥(15,970)	¥24,514	¥222,175
Disposal of treasury stock		0		0						0
Dividends from surplus			(6,558)							(6,558)
Net income			35,451							35,451
Purchase of treasury stock				(3)						(3)
Effect of change in reporting entities			(49)							(49)
Other			29		1,921	188	21,025	(5,500)	2,424	20,087
Balance at end of fiscal 2012	¥42,658	¥38,661	¥188,700	¥(543)	¥4,737	¥158	¥ (8,736)	¥(21,470)	¥26,938	¥271,103

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Minority interests	Total net assets
Balance at beginning of fiscal 2013	¥42,658	¥38,661	¥188,700	¥(543)	¥ 4,737	¥158	¥ (8,736)	¥(21,470)	¥26,938	¥271,103
Disposal of treasury stock		**0**		**0**						**0**
Dividends from surplus			**(9,182)**							**(9,182)**
Net income			**44,794**							**44,794**
Purchase of treasury stock				**(8)**						**(8)**
Effect of change in reporting entities			**354**							**354**
Other			**15**		**6,784**	**6**	**40,412**	**2,473**	**2,093**	**51,783**
Balance at end of fiscal 2013	**¥42,658**	**¥38,661**	**¥224,681**	**¥(551)**	**¥11,521**	**¥164**	**¥31,676**	**¥(18,997)**	**¥29,031**	**¥358,844**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains and losses on available-for-sale securities	Deferred gains and losses on hedges	Currency translation adjustments	Adjustments for retirement obligation of foreign affiliates	Minority interests	Total net assets
Balance at beginning of fiscal 2013	$406,267	$368,200	$1,797,143	$(5,172)	$ 45,114	$1,505	$ (83,200)	$(204,476)	$256,552	$2,581,933
Disposal of treasury stock		**0**		**0**						**0**
Dividends from surplus			**(87,448)**							**(87,448)**
Net income			**426,610**							**426,610**
Purchase of treasury stock				**(76)**						**(76)**
Effect of change in reporting entities			**3,371**							**3,371**
Other			**143**		**64,610**	**57**	**384,876**	**23,552**	**19,934**	**493,172**
Balance at end of fiscal 2013	**$406,267**	**$368,200**	**$2,139,819**	**$(5,248)**	**$109,724**	**$1,562**	**$301,676**	**$(180,924)**	**$276,486**	**$3,417,562**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2013**	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 74,021**	¥64,062	**$ 704,962**
Depreciation and amortization	**43,279**	36,278	**412,181**
Impairment loss	**136**	1,738	**1,295**
Loss (gain) on sales and retirement of noncurrent assets	**113**	867	**1,076**
Loss (gain) on sales of stocks of subsidiaries and affiliates	**311**	901	**2,962**
Equity in earnings and losses of affiliates	**356**	1,091	**3,390**
Increase (decrease) in allowance for doubtful accounts	**106**	(286)	**1,010**
Increase (decrease) in provision for retirement benefits	**342**	295	**3,257**
(Increase) decrease in prepaid pension costs	**682**	1,254	**6,495**
Interest and dividend income	**(1,446)**	(1,169)	**(13,771)**
Interest expense	**4,811**	4,644	**45,819**
(Increase) decrease in notes and accounts receivable—trade	**(20,367)**	(7,196)	**(193,971)**
(Increase) decrease in inventories	**10,540**	657	**100,381**
Increase (decrease) in notes and accounts payable—trade	**(1,928)**	(6,327)	**(18,362)**
Increase (decrease) in accounts payable—other	**3,544**	1,061	**33,752**
Other, net	**(4,526)**	(3,312)	**(43,105)**
Subtotal	**109,974**	94,558	**1,047,371**
Interest and dividend income received	**2,547**	1,446	**24,257**
Interest expense paid	**(4,852)**	(4,388)	**(46,210)**
Income taxes paid	**(30,657)**	(14,973)	**(291,970)**
Net cash provided by (used in) operating activities	**77,012**	76,643	**733,448**
Cash flows from investing activities:			
Payments into time deposits	**—**	(1,157)	**—**
Proceeds from withdrawal from time deposits	**324**	1,265	**3,086**
Purchase of property, plant and equipment	**(54,650)**	(55,398)	**(520,476)**
Purchase of intangible assets	**(5,807)**	(3,525)	**(55,305)**
Proceeds from sales of noncurrent assets	**1,053**	341	**10,029**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(5,736)**	—	**(54,629)**
Purchase of investments in subsidiaries	**—**	(2,828)	**—**
Purchase of treasury stock of subsidiaries in consolidation	**—**	(502)	**—**
Purchase of investment securities	**(12)**	(15)	**(114)**
Proceeds from sales of investment securities	**0**	139	**0**
Purchase of stocks of subsidiaries and affiliates	**(3,494)**	(507)	**(33,276)**
Net (increase) decrease in short-term loans receivable	**(123)**	(29)	**(1,171)**
Payments of long-term loans receivable	**(398)**	(47)	**(3,790)**
Collection of long-term loans receivable	**1,058**	65	**10,076**
Other, net	**(490)**	31	**(4,668)**
Net cash provided by (used in) investing activities	**(68,275)**	(62,167)	**(650,238)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**8,422**	(9,337)	**80,210**
Proceeds from long-term debt and newly issued bonds	**23,692**	22,415	**225,638**
Repayments of long-term debt and redemption of bonds	**(24,113)**	(19,513)	**(229,648)**
Proceeds from issuance of stock to minority shareholders	**202**	—	**1,924**
Cash dividends paid	**(9,182)**	(6,558)	**(87,448)**
Cash dividends paid to minority shareholders	**(3,265)**	(1,614)	**(31,095)**
Net (increase) decrease in treasury stock	**(8)**	(3)	**(76)**
Other, net	**(1,572)**	(1,225)	**(14,972)**
Net cash provided by (used in) financing activities	**(5,824)**	(15,835)	**(55,467)**
Effect of exchange rate change on cash and cash equivalents	**5,533**	2,629	**52,695**
Net increase (decrease) in cash and cash equivalents	**8,446**	1,270	**80,438**
Cash and cash equivalents at beginning of period	**32,876**	28,511	**313,105**
Increase (decrease) in cash and cash equivalents due to change in reporting entities	**682**	3,095	**6,495**
Cash and cash equivalents at end of period (Note 3)	**¥ 42,004**	¥32,876	**$ 400,038**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries
December 31, 2013 and 2012

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Sumitomo Rubber Industries, Ltd. ("the Company") have been prepared in accordance with the provisions set of forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

The U.S. dollar amounts appearing in the consolidated financial statements are included solely for convenience of the readers outside Japan and presented at the rate of ¥105 to US$1.00, the approximate rate prevailing at December 31, 2013. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that rate.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and, with minor exceptions, those of its majority-owned subsidiaries at the relevant balance sheet dates. All significant intercompany accounts, transactions and unrealized profit or losses have been eliminated in consolidation. Investments in unconsolidated subsidiaries and affiliates (companies in which the Company has a 20% to 50% ownership interest) are, with minor exceptions, accounted for using the equity method. Under the equity method, investments are stated at cost plus/minus the Company's equity in undistributed earnings or losses. The Company's equity in current earnings or losses of such companies is, after the elimination of unrealized intercompany profits, included in the consolidated statements of income.

SRI Tire Trading Ltd., which was treated as a consolidated subsidiary in 2012, was merged into the Company. Dunlop Sports Chubu Co., Ltd., was merged into Dunlop Sports Marketing Co. Ltd. Both SRI Tire Trading Ltd. and Dunlop Sports Chubu Co., Ltd., were excluded from consolidation in fiscal 2013.

Dunlop Sports Co. Ltd., a subsidiary of the Company, sold all its stocks in Bambi Kogen Kaihatsu Co., Ltd. on August 30, 2013 and that company was excluded from consolidation in fiscal 2013. However, for the period from January 1, 2013 to June 30, 2013 (deemed date of sale), the income statements of Bambi Kogen Kaihatsu Co., Ltd. were included in consolidation.

Sumirubber Thai Eastern Corporation Co., Ltd. and Falken Tyre India Private Limited, the operations of which became significant in fiscal 2013, were included in consolidation in fiscal 2013.

Dunlop Tire Trading (Shanghai) Co., Ltd., Dunlop Tire Trading (Tianjin) Co., Ltd., Dunlop Tire Trading (Dalian) Co., Ltd., and Dunlop Tire Trading (Guangzhou) Co., Ltd. were included in consolidation in fiscal 2013 due to their being founded during the year. Apollo Tyres South Africa (Pty) Limited was included in consolidation in fiscal 2013 due to a stock acquisition. (On January 27, 2014, the acquired company changed its trade name to Sumitomo Rubber South Africa (Pty) Limited). The acquired company's balance sheet at December 31, 2013 (deemed date of acquisition) was included in consolidation.

Consolidated subsidiaries that have a fiscal year ending other than December 31 have prepared provisional financial statements to conform to the fiscal year of the Company for group consolidation purposes.

If there is a change in the reporting entity, the consolidated financial statements are not restated. The effect of the change is directly debited or credited to retained earnings during the period.

The positive differences between the cost of and the underlying net equity in investments in consolidated subsidiaries and affiliates accounted for on an equity basis are recognized as goodwill when those companies are initially included in consolidation or accounted for by the equity method. Generally, negative differences generated on or before March 31, 2010 and goodwill are amortized using the straight-line method over a period within 20 years. Minor goodwill and negative differences generated after March 31, 2010 are charged or credited to cost or income.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less are considered to be cash and cash equivalents.

(3) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rates of exchange prevailing at the balance sheet date, except for those hedged by forward exchange contracts, which are translated at the contract rates. Resulting the exchange gains and losses are included in the consolidated statements of income.

In preparing the accompanying consolidated financial statements, the asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, and shareholders' equity is translated at historical exchange rates. Revenue and expense accounts of foreign subsidiaries and affiliates are translated at the average rates of exchange prevailing during the year. The resulting translation adjustments are shown as a component of net assets.

(4) Marketable securities and investments in securities

Securities classified as available-for-sale securities are stated at fair market value with unrealized gains and losses, net of applicable taxes, recorded as a component of net assets. Securities with no fair market value are stated at cost. If securities decline in value significantly and the decline is not considered recoverable, the value of the securities is reduced to net realizable value and charged to income. The cost of securities sold is determined based on the average cost of all the shares of securities held at the time of sale.

(5) Derivative financial instruments and hedging

The Company and its consolidated subsidiaries use derivative financial instruments, which include foreign exchange forward contracts, currency swap contracts and interest rate swap contracts, in order to offset risks associated with fluctuations in currency exchange rates and interest rates with respect to financial assets and liabilities in accordance with internal policies and procedures.

(a) Hedge accounting

The Company and its consolidated subsidiaries have adopted a method for hedging instruments that defers the recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

All derivatives are stated at fair value. However, when foreign exchange forward contracts meet certain conditions, accounts receivable and accounts payable covered by these contracts are translated using the contracts' rates. In addition, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged item.

Hedging instruments and hedged items are summarized as follows:

Hedging instruments	Hedged items
Foreign exchange forward contracts	Accounts receivable and accounts payable in foreign currencies and forecasted transactions
Interest rate swap contracts	Short-term borrowings and long-term debt

(b) Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge market and interest rate fluctuation risks in accordance with their internal policies and procedures.

(c) Method for assessing hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing the cumulative changes in fair value or the cumulative changes in cash flow on hedging instruments with those of the related hedged items from the commencement of the hedge.

(6) Inventories

Inventories are mainly stated at the lower of average cost or net realizable value.

(7) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts principally at an amount determined based on the historical bad debt ratio during certain reference periods plus the estimated uncollectible amount determined by reference to specific doubtful receivables.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the straight-line method. The estimated useful life of assets from the major classes of depreciable assets ranges from 3 to 60 years for buildings and structures and from 1 to 20 years for machinery, vehicles and equipment.

(9) Accounting for leases

Finance leases which transfer ownership are depreciated in the same manner as owned fixed assets. Finance leases which do not transfer title are accounted for as purchase and sale transactions and are depreciated by the straight-line method, in which it is assumed that the useful life is the lease period and that the residual value of the relevant asset at the end of the lease period is zero. Finance lease transactions which were executed on or before December 31, 2008 and which do not involve a transfer of ownership are accounted for using the same method as that used for operating leases.

(10) Intangible assets

Intangible assets are stated at cost, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the assets.

(11) Research and development expenses

Research and development expenses are charged to income when incurred.

(12) Allowance for sales returns

An allowance for sales returns is provided for losses incurred on the return of snow tires sold during the fiscal year but returned subsequent to the balance sheet date. The allowance is based on an estimate using the average rate of such returns in prior years.

(13) Accrued retirement benefits

The Company and its subsidiaries provide an accrual for defined benefit employees' pension and severance benefits based on the projected benefit obligation and the fair value of plan assets at the balance sheet date. Prior service costs are charged to income on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (principally 15 years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to income on a straight-line basis, beginning from the following fiscal year after they are incurred, over a fixed number of years (10 and 15 years) within the average remaining years of service of employees when the differences occur. Accrued retirement benefits for directors and statutory auditors of certain consolidated subsidiaries, which are included in other long-term liabilities, are recorded in an amount equivalent to 100% of such benefits that the subsidiaries would be required to pay at the balance sheet date based on their internal rules. Payments of benefits are subject to resolution at the General Meeting of Shareholders.

(14) Income taxes

Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss carryforwards and foreign tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(15) Per share amounts

Net income per share is computed based on the average number of shares outstanding during each period. Diluted net income per share is not presented because there were no outstanding common stock equivalents as of December 31, 2013 or December 31, 2012.

(16) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(17) Reclassifications and restatements

Certain prior year amounts have been reclassified and restated to conform to the current year's presentation. These reclassifications and restatements had no effect on previously reported results of operations or retained earnings.

(18) Unapplied accounting standards

• Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012)
• Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(a) Summary

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are to be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus is to be recognized as a liability or asset without any adjustments. For determining the method of attributing the expected benefit to periods, the new standard allows companies to choose the benefit formula basis as well as the straight-line basis. The method used for determining the discount rate has also been amended.

(b) The date at which the Company plans to initially apply the accounting standards

The Company plans to apply them from December 31, 2014, except for the amendments related to the determination of retirement benefit obligations and current service costs, which will be applied from the beginning of fiscal 2015.

(c) Impact of application of standards

The Company and its consolidated domestic subsidiaries are currently in the process of estimating the effects of these new standards on the consolidated financial statements.

3. Cash Flow Information

Reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and time deposits	**¥42,441**	¥33,514	**$404,200**
Time deposits with a maturity of over three months	**(437)**	(638)	**(4,162)**
Cash and cash equivalents	**¥42,004**	¥32,876	**$400,038**

In fiscal 2013, the Company obtained control of Apollo Tyres South Africa (Pty) Limited as a result of an acquisition of shares (on January 27, 2014, the acquired company changed its trade name to Sumitomo Rubber South Africa (Pty) Limited). The assets and liabilities of the consolidated subsidiary at the time of consolidation in connection with the acquisition cost and net cash paid for the acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥7,448	$70,933
Noncurrent assets	5,230	49,810
Goodwill	3,303	31,457
Current liabilities	(8,745)	(83,286)
Noncurrent liabilities	(1,018)	(9,695)
Acquisition cost	6,218	59,219
Cash and cash equivalents	(482)	(4,590)
Net cash paid for the acquisition	¥5,736	$54,629

4. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Company and its consolidated subsidiaries raise funds for investment in equipment and for operating capital mainly through bank loans and bond issuances based on cash flow planning. Temporary excess cash is managed through low-risk financial assets. The Company and its consolidated subsidiaries utilize derivative transactions only to hedge risks of future changes in cash flows and fair values and not for speculative purposes.

(b) Financial instruments and exposure to risk

Trade notes and accounts receivable are exposed to the credit risks of customers. However, the Company and its consolidated subsidiaries seek to reduce the risks through the implementation of rules for credit controls. Operating receivables denominated in foreign currencies are exposed to foreign exchange risk, but the risk is hedged using forward exchange contracts, etc., for the net position of foreign currency operating payables. The risk of fluctuation in fair value is hedged using borrowings denominated in foreign currencies, with the balance consisting of foreign currency operating receivables and foreign currency operating payables. Investment securities are mainly held to build and maintain good customer relationships. The Company and its consolidated subsidiaries periodically review the circumstances under which such securities are held and evaluate the fair value of the securities and/or the financial condition of the issuers, which are generally business counterparties.

The main purpose of holding debt and issuing bonds is to secure financing for equipment and operating capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks associated with foreign currency debt and credit; currency swap contracts; and interest swap contracts to hedge fluctuation risks associated with interest rates for and fair values of debt. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

(2) Fair value of financial instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet at December 31, 2013 and 2012 were as set forth in the table below. Financial instruments whose fair values were hard to determine were not included in the table.

	Millions of yen			Thousands of U.S. dollars		
			2013			**2013**
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	**¥ 42,441**	**¥ 42,441**	**¥ —**	**$ 404,200**	**$ 404,200**	**$ —**
Trade notes and accounts receivable	**198,188**	**198,188**	**—**	**1,887,504**	**1,887,504**	**—**
Investments in securities	**27,594**	**27,594**	**—**	**262,800**	**262,800**	**—**
Total assets	**¥268,223**	**¥268,223**	**¥ —**	**$2,554,504**	**$2,554,504**	**$ —**
Trade notes and accounts payable	**¥ 76,741**	**¥ 76,741**	**¥ —**	**$ 730,867**	**$ 730,867**	**$ —**
Short-term borrowings	**89,719**	**89,719**	**—**	**854,467**	**854,467**	**—**
Accrued accounts payable	**46,371**	**46,371**	**—**	**441,628**	**441,628**	**—**
Bonds	**65,000**	**67,042**	**2,042**	**619,048**	**638,495**	**19,447**
Long-term debt	**141,926**	**142,067**	**141**	**1,351,676**	**1,353,019**	**1,343**
Total liabilities	**¥419,757**	**¥421,940**	**¥2,183**	**$3,997,686**	**$4,018,476**	**$20,790**
Derivative transactions						
Contracts for which hedge accounting was not adopted	**¥ 4,686**	**¥ 4,686**	**¥ —**	**$ 44,629**	**$ 44,629**	**$ —**
Contracts for which hedge accounting was adopted	**264**	**264**	**—**	**2,514**	**2,514**	**—**

	Millions of yen		
			2012
	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 33,514	¥ 33,514	¥ —
Trade notes and accounts receivable	162,926	162,926	—
Investments in securities	16,780	16,780	—
Total assets	¥213,220	¥213,220	¥ —
Trade notes and accounts payable	¥ 72,807	¥ 72,807	¥ —
Short-term borrowings	71,385	71,385	—
Accrued accounts payable	42,243	42,243	—
Bonds	75,000	77,708	2,708
Long-term debt	124,255	124,975	720
Total liabilities	¥385,690	¥389,118	¥3,428
Derivative transactions			
Contracts for which hedge accounting was not adopted	¥ 648	¥ 648	¥ —
Contracts for which hedge accounting was adopted	255	255	—

(a) Valuation methods used to determine the fair value of financial instruments

Trade notes and accounts receivable:

The carrying amount approximates fair value because of the short maturity.

Investments in securities:

The carrying amount is only for listed stock that has quoted market value and is stated at fair market value.

Trade notes and accounts payable:

The carrying amount approximates fair value because of the short maturity.

Short-term borrowings:
The carrying amount approximates fair value because of the short maturity.

Accrued accounts payable:
The carrying amount approximates fair value because of the short maturity.

Bonds and long-term debt:
For items with floating rates, the fair value is based on the book value since the market interest rate is reflected in a short period. For items with fixed rates, the fair value is based on the present value with interest discounted based on the interest rate for similar instruments. For long-term borrowings used in interest rate swaps in which the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed, fair value is based on the present value with interest discounted based on the interest rate for similar instruments and such borrowings are processed as a unit using the rate set by the interest rate swap.

Derivative transactions:
See Note 7. Derivative Financial Instruments.

(b) Financial instruments for which fair value is difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unlisted securities (available-for-sale securities)	**¥ 331**	¥ 328	**$ 3,152**
Unlisted investments in affiliates	**41,664**	30,798	**396,800**

The above financial instruments do not have quoted market values and their future cash flows cannot be estimated. Because the fair value is difficult to determine, these instruments are not included in "Investments in securities."

5. Inventories

Inventories as of December 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Finished goods	**¥ 79,834**	¥ 78,808	**$ 760,324**
Work-in-process	**6,159**	5,181	**58,657**
Raw materials	**35,880**	32,136	**341,714**
Supplies	**8,554**	6,784	**81,467**
Total	**¥130,427**	¥122,909	**$1,242,162**

6. Investments in Securities

As of December 31, 2013 and 2012, cost, book value and related unrealized gains and losses pertaining to marketable equity securities classified as available-for-sale securities with readily determinable fair values were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Available-for-sale securities:			
Cost	**¥ 9,736**	¥ 9,544	**$ 92,724**
Book value	**27,594**	16,780	**262,800**
Unrealized gains	**17,860**	7,821	**170,095**
Unrealized losses	**(2)**	(585)	**(19)**

7. Derivative Financial Instruments

Fair value information regarding derivative financial instruments as of December 31, 2013 and 2012 was as follows:

(1) Derivative transactions for which hedge accounting has not been applied
Currency related contracts

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			**2013**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts									
To buy foreign currencies	**¥ 1,923**	**¥ 22**	**¥ 22**	¥ 3,319	¥ 85	¥ 85	**$ 18,314**	**$ 210**	**$ 210**
To sell foreign currencies	**14,870**	**(717)**	**(716)**	7,908	(489)	(488)	**141,619**	**(6,829)**	**(6,819)**
Currency swap contracts	**42,051**	**5,381**	**4,386**	27,664	1,052	1,212	**400,486**	**51,248**	**41,771**
Total	**¥58,844**	**¥4,686**	**¥3,692**	¥38,891	¥ 648	¥ 809	**$560,419**	**$44,629**	**$35,162**

(2) Derivative transactions for which hedge accounting has been applied

(a) Currency related contracts

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		**2013**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Forward foreign exchange contracts						
Deferred hedges						
To buy foreign currencies	**¥19,717**	**¥281**	¥4,473	¥282	**$187,781**	**$2,676**
To sell foreign currencies	**619**	**(17)**	1,006	(27)	**5,895**	**(162)**
Designation method for forward foreign exchange contracts, etc.						
To buy foreign currencies	**¥ 643**	(Note)	¥ 36	(Note)	**$ 6,124**	(Note)
To sell foreign currencies	**446**	(Note)	125	(Note)	**4,248**	(Note)
Total	**¥21,425**	**¥264**	¥5,640	¥255	**$204,048**	**$2,514**

(b) Interest rate related contracts

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		**2013**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Interest rate swap contracts						
Receive variable rate, give fixed rate	**¥40,741**	(Note)	¥32,700	(Note)	**$388,010**	(Note)

Note: Fair value above is based on prices provided by financial institutions.
The fair value of some derivative financial instruments was included in the fair value of accounts receivable, accounts payable and long-term debt and long-term loans as hedged items because those derivative financial instruments were used to hedge the risk of foreign currency or interest fluctuation and were booked with related accounts receivable, accounts payable and long-term debt and long-term loans as a unit according to Japanese accounting regulations.

8. Property, Plant and Equipment

The depreciation expense for the years ended December 31, 2013 and 2012 was ¥38,136 million ($363,200 thousand) and ¥32,156 million, respectively.

9. Trademarks

For the years ended December 31, 2013 and 2012, the amortization expense for capitalized trademarks was ¥67 million ($638 thousand) and ¥175 million, respectively. The increase in trademarks resulted mainly from business combinations in the amount of ¥1,261 million ($12,010 thousand).

See Note 20. Business Combination.

10. Short-Term Borrowings and Long-Term Debt

Short-term borrowings of ¥89,719 million ($854,467 thousand) and ¥71,385 million as of December 31, 2013 and 2012, respectively, bore interest at rates ranging from 0.09% to 5.13% and from 0.01% to 9.00% per annum, respectively.

Long-term debt as of December 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
1.83% unsecured bonds due 2013 payable in Japanese yen	**¥ —**	¥ 10,000	**$ —**
1.84% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**95,238**
1.25% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**95,238**
0.58% unsecured bonds due 2016 payable in Japanese yen	**10,000**	10,000	**95,238**
2.19% unsecured bonds due 2017 payable in Japanese yen	**5,000**	5,000	**47,619**
2.17% unsecured bonds due 2018 payable in Japanese yen	**10,000**	10,000	**95,238**
2.07% unsecured bonds due 2019 payable in Japanese yen	**10,000**	10,000	**95,238**
1.38% unsecured bonds due 2021 payable in Japanese yen	**10,000**	10,000	**95,238**
Loans payable to banks and other financial institutions due from 2014 to 2023 with interest rates of 0.19% to 5.45% for 2013 and 2012			
Unsecured	**141,926**	124,255	**1,351,676**
Finance lease obligations	**5,468**	5,236	**52,077**
Subtotal	**212,394**	204,491	**2,022,800**
Less current portion of long-term debt:			
Bonds	**(20,000)**	(10,000)	**(190,476)**
Finance lease obligations	**(1,514)**	(1,407)	**(14,419)**
Long-term debt	**(37,339)**	(14,112)	**(355,610)**
Subtotal	**(58,853)**	(25,519)	**(560,505)**
Total	**¥153,541**	¥178,972	**$1,462,295**

The aggregate annual maturities of long-term debt as of December 31, 2013 were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 58,853	$ 560,505
2015	23,694	225,657
2016	39,788	378,933
2017	26,035	247,952
2018	27,803	264,790
2019 and thereafter	36,221	344,963
Total	¥212,394	$2,022,800

Substantially all loans from banks and other financial institutions are under agreements which provide that under certain conditions a borrower may be required to provide collateral (or additional collateral) or guarantors with respect to the loans and that collateral, whether furnished as security for short-term or long-term loans or otherwise, may be treated by the lender as collateral for all indebtedness to that bank or financial institutions. Default provisions in the agreements grant certain rights of possession to the banks and other financial institutions.

11. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the years ended December 31, 2013 and 2012 that were recognized in other comprehensive income in these or previous fiscal periods and the tax effects of each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net unrealized gains and losses on available-for-sale securities			
Increase (decrease) during the year	**¥10,541**	¥ 3,054	**$100,390**
Reclassification adjustments	**—**	(68)	**—**
Subtotal, before tax	**10,541**	2,986	**100,390**
Tax effects	**(3,697)**	(1,042)	**(35,209)**
Subtotal, net of tax	**6,844**	1,944	**65,181**
Deferred gains and losses on hedges			
Increase (decrease) during the year	**¥ 623**	¥ 295	**$ 5,933**
Reclassification adjustments	**—**	9	**—**
Adjustment for acquisition cost of hedged items	**(719)**	—	**(6,847)**
Subtotal, before tax	**(96)**	304	**(914)**
Tax effects	**102**	(116)	**971**
Subtotal, net of tax	**6**	188	**57**
Currency translation adjustments			
Increase (decrease) during the year	**¥37,272**	¥18,624	**$354,971**
Reclassification adjustments	**—**	—	**—**
Subtotal, before tax	**37,272**	18,624	**354,971**
Tax effects	**(386)**	(51)	**(3,677)**
Subtotal, net of tax	**36,886**	18,573	**351,294**
Adjustments for retirement obligations of foreign affiliates			
Increase (decrease) during the year	**¥ 20**	¥ (23)	**$ 190**
Reclassification adjustments	**—**	—	**—**
Subtotal, before tax	**20**	(23)	**190**
Tax effects	**(47)**	8	**(447)**
Subtotal, net of tax	**(27)**	(15)	**(257)**
Share of other comprehensive income of affiliates under the equity method			
Increase (decrease) during the year	**¥ 7,273**	¥ (2,441)	**$ 69,267**
Reclassification adjustments	**565**	400	**5,381**
Subtotal, net of tax	**7,838**	(2,041)	**74,648**
Total other comprehensive income	**¥51,547**	¥18,649	**$490,923**

12. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes in Japan which, in the aggregate, resulted in a statutory tax rate of approximately 37.8% and 40.4% for the years ended December 31, 2013 and 2012, respectively. Significant differences between the normal cumulative statutory tax rate and the effective tax rate in the consolidated statements of income for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Statutory tax rate	**37.8%**	40.4%
Undistributed benefits of consolidated subsidiaries	**1.7**	1.7
Expenses not deductible for tax purposes	**1.6**	0.6
Valuation allowance	**1.6**	(2.0)
Amortization of goodwill	**0.3**	0.5
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	**0.2**	0.7
Differences in statutory tax rates of foreign subsidiaries	**(4.2)**	(5.0)
Tax exemption of foreign subsidiaries	**(1.1)**	(0.8)
Tax credits for research and development costs	**(0.8)**	(1.2)
Effect arising from a change in tax rates	**—**	0.8
Other	**(1.5)**	2.0
Effective tax rate for consolidated statements of income	**35.6%**	37.7%

Significant components of deferred tax assets and liabilities as of December 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Unrealized profits	**¥ 5,883**	¥ 5,399	**$ 56,029**
Accrued retirement benefits	**3,867**	3,774	**36,829**
Tax loss carryforwards	**2,954**	2,651	**28,133**
Loss on impairment of fixed assets	**2,665**	2,439	**25,381**
Incentive bonuses	**1,860**	2,087	**17,714**
Accrued bonuses	**1,434**	1,240	**13,657**
Allowance for sales returns	**1,000**	986	**9,524**
Inventories	**818**	1,145	**7,790**
Accrued business enterprise tax	**792**	924	**7,543**
Advertising	**976**	823	**9,295**
Allowance for doubtful accounts	**617**	655	**5,876**
Loss on impairment of investment securities	**496**	502	**4,724**
Depreciation	**422**	491	**4,019**
Loss on impairment of golf club memberships	**199**	210	**1,895**
Other	**5,693**	4,442	**54,220**
Total deferred tax assets	**¥ 29,676**	¥ 27,768	**$ 282,629**
Less valuation allowance	**(5,681)**	(4,873)	**(54,106)**
Net deferred tax assets	**¥ 23,995**	¥ 22,895	**$ 228,523**
Deferred tax liabilities:			
Prepaid pension cost	**¥ (3,281)**	¥ (3,719)	**$ (31,248)**
Undistributed benefits of consolidated subsidiaries	**(4,038)**	(2,823)	**(38,457)**
Deferred gains on sales of property, plant and equipment	**(1,906)**	(1,872)	**(18,152)**
Unrealized gains on available-for-sale securities	**(6,170)**	(2,477)	**(58,762)**
Unrealized gain on land of a consolidated subsidiary	**(1,146)**	(1,164)	**(10,914)**
Other	**(4,872)**	(2,009)	**(46,400)**
Total deferred tax liabilities	**¥(21,413)**	¥(14,064)	**$(203,933)**
Deferred tax assets, net	**¥ 2,582**	¥ 8,831	**$ 24,590**

Deferred income taxes, net as of December 31, 2013 and 2012 were included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Current assets—deferred tax assets	**¥12,557**	¥12,652	**$119,590**
Investments and other assets—deferred tax assets	**6,010**	6,473	**57,238**
Current liabilities—deferred tax liabilities (current liabilities—other)	**(2)**	(27)	**(19)**
Long-term liabilities—deferred tax liabilities	**(15,983)**	(10,267)	**(152,219)**

13. Accrued Retirement Benefits

Upon terminating employment, employees of the Company and the domestic consolidated subsidiaries are entitled, under most circumstances, to lump-sum indemnities or pension annuity payments. For an employee who voluntarily retires under normal circumstances, a minimum payment amount is calculated based on the rate of pay at the time of retirement, length of service and conditions under which the employee retires. In calculating the payment amount for an employee who retires involuntarily, including an employee who retires due to reaching the mandatory retirement age, the Company or the domestic consolidated subsidiaries may grant additional benefits.

Most of the foreign subsidiaries have defined benefit pension plans or severance indemnity plans that cover substantially all of their employees and under which the cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on rates of pay at the time of retirement and length of service.

The liability for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of December 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Benefit obligation	**¥(52,929)**	¥(51,825)	**$(504,086)**
Fair value of plan assets	**66,647**	53,998	**634,734**
Funded status:			
Benefit obligation in excess of plan assets	**13,718**	2,173	**130,648**
Unrecognized actuarial differences	**(5,965)**	7,547	**(56,810)**
Unrecognized prior service cost	**(577)**	(681)	**(5,495)**
Subtotal	**7,176**	9,039	**68,343**
Prepaid pension cost	**21,135**	21,817	**201,286**
Accrued retirement benefits	**¥(13,959)**	¥(12,778)	**$(132,943)**

The Company and certain consolidated subsidiaries abolished the retirement benefit plans for directors and statutory auditors in March 2005. Accrued retirement benefits for directors and statutory auditors amounting to ¥113 million ($1,076 thousand) and ¥162 million as of December 31, 2013 and 2012, respectively, were excluded from the above table.

The retirement and pension costs of the Company and its consolidated subsidiaries for the years ended December 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥2,570**	¥2,439	**$24,476**
Interest cost	**951**	955	**9,057**
Expected return on plan assets	**(898)**	(843)	**(8,552)**
Amortization of actuarial differences	**879**	1,384	**8,371**
Amortization of prior service cost	**(100)**	(101)	**(952)**
Severance and retirement benefit expense	**3,402**	3,834	**32,400**
Contributions to the defined contribution pension plan	**717**	708	**6,829**
Net periodic benefit costs	**¥4,119**	¥4,542	**$39,229**

The discount rate used by the Company and the domestic consolidated subsidiaries was mainly 2.0% in 2013 and 2012, and the expected return on plan assets was mainly 2.5% in 2013 and 2012.

14. Research and Development Expenses

Research and development expenses for the years ended December 31, 2013 and 2012 were ¥21,822 million ($207,829 thousand) and ¥19,539 million, respectively.

15. Segment Information

(1) Information by reportable segment

The Company's reportable segments are the units for which separate financial information is available and periodically reviewed by the Board of Directors for the purposes of deciding the allocation of management resources and evaluating business performance. The Company and its subsidiaries have three divisions based on operations in Tires, Sports and Industrial and Other Products. Each division formulates comprehensive strategies for both domestic and overseas markets and develops business activities. Therefore, the Company identifies "Tires," "Sports" and "Industrial and Other Products" as reportable segments.

Operations in the Tires segment involve the production and sale of a wide range of tires for a variety of vehicles such as passenger cars, trucks, buses and motorcycles and applications such as industrial applications. Operations in the Sports segment involve the production and sale of a variety of sporting goods, principally golf balls, golf clubs, golf bags and tennis balls. Operations in the Industrial and Other Products segment involve the production and sale of a variety of rubber and rubber based products, including vibration control products, flooring for gymnasiums, all-weather tennis courts, track and field facilities, marine fenders, precision rubber parts for office machines and blankets for offset printing presses.

The accounting policies of each reportable segment are the same as those described in Note 2.

Figures for reportable segment profit or loss are based on operating income.

Intersegment sales and transfers are stated at wholesale prices based on current market values.

Reportable segment sales, profit or loss, segment assets and other material items

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2013**	2012	**2013**
Net sales:			
Tires—			
Sales to unaffiliated customers	**¥681,100**	¥619,361	**$6,486,667**
Intersegment sales and transfers	**19**	13	**181**
	681,119	619,374	**6,486,848**
Sports—			
Sales to unaffiliated customers	**66,261**	61,346	**631,057**
Intersegment sales and transfers	**337**	331	**3,210**
	66,598	61,677	**634,267**
Industrial and Other Products—			
Sales to unaffiliated customers	**33,248**	29,539	**316,648**
Intersegment sales and transfers	**46**	51	**438**
	33,294	29,590	**317,086**
Adjustments	**(402)**	(394)	**(3,830)**
	¥780,609	¥710,247	**$7,434,371**
Segment profit or loss:			
Tires	**¥ 69,850**	¥ 63,090	**$ 665,238**
Sports	**3,992**	4,465	**38,019**
Industrial and Other Products	**3,205**	2,139	**30,524**
	77,047	69,694	**733,781**
Adjustments	**8**	29	**76**
	¥ 77,055	¥ 69,723	**$ 733,857**
Segment assets:			
Tires	**¥749,704**	¥642,413	**$7,140,038**
Sports	**56,794**	54,940	**540,895**
Industrial and Other Products	**28,149**	25,205	**268,086**
	834,647	722,558	**7,949,019**
Adjustments	**32,817**	14,970	**312,543**
	¥867,464	¥737,528	**$8,261,562**
Increase in tangible and intangible fixed assets:			
Tires	**¥ 62,469**	¥ 58,660	**$ 594,943**
Sports	**2,903**	2,807	**27,648**
Industrial and Other Products	**1,225**	937	**11,666**
	66,597	62,404	**634,257**
Adjustments	**—**	—	**—**
	¥ 66,597	¥ 62,404	**$ 634,257**

Years ended December 31	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Depreciation and amortization:			
Tires	**¥ 40,773**	¥ 34,005	**$ 388,314**
Sports	**1,697**	1,515	**16,162**
Industrial and Other Products	**809**	758	**7,705**
	43,279	36,278	**412,181**
Adjustments	**—**	—	**—**
	¥ 43,279	¥ 36,278	**$ 412,181**
Amortization of goodwill:			
Tires	**¥ 325**	¥ 475	**$ 3,095**
Sports	**613**	832	**5,838**
Industrial and Other Products	**—**	—	**—**
	938	1,307	**8,933**
Adjustments	**—**	—	**—**
	¥ 938	¥ 1,307	**$ 8,933**
Investments in equity method affiliates:			
Tires	**¥ 36,703**	¥ 28,580	**$ 349,553**
Sports	**69**	184	**657**
Industrial and Other Products	**—**	—	**—**
	36,772	28,764	**350,210**
Adjustments	**—**	—	**—**
	¥ 36,772	¥ 28,764	**$ 350,210**

(a) Segment profit or loss included in "Adjustments" comprised elimination of intersegment transactions.
(b) Segment assets included in "Adjustments" comprised corporate assets of ¥33,078 million ($315,029 thousand) and ¥14,659 million at December 31, 2013 and 2012, respectively, and consisted mainly of cash and time deposits, investment securities owned by the Company and assets for administration divisions as well as the elimination of intersegment transactions of ¥261 million ($2,486 thousand) and ¥311 million at December 31, 2013 and 2012, respectively.
(c) Segment profit corresponds to operating income.
(d) Depreciation and amortization comprised the amount of depreciation in long-term prepaid expenses.
(e) The increase in tangible and intangible fixed assets comprised an increase in long-term prepaid expenses.

(2) Related information

(a) Information about geographical areas

Years ended December 31	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Net sales:			
Japan	**¥382,077**	¥373,715	**$3,638,829**
Asia	**150,792**	117,322	**1,436,114**
North America	**89,231**	81,255	**849,819**
Other areas	**158,509**	137,955	**1,509,609**
Total	**¥780,609**	¥710,247	**$7,434,371**
Net property, plant and equipment:			
Japan	**¥138,490**	¥138,560	**$1,318,952**
Asia	**150,189**	122,218	**1,430,371**
Other areas	**28,296**	10,047	**269,487**
Total	**¥316,975**	¥270,825	**$3,018,810**

(b) Information about impairment losses on fixed assets by reportable segment

Years ended December 31	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Impairment losses on fixed assets:			
Tires	**¥136**	¥1,611	**$1,295**
Sports	**—**	38	**—**
Industrial and Other Products	**—**	89	**—**
Total	**¥136**	¥1,738	**$1,295**

(c) Information about goodwill by reportable segment

Years ended December 31	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Amortization:			
Tires	**¥ 325**	¥ 475	**$ 3,095**
Sports	**613**	832	**5,838**
Industrial and Other Products	**—**	—	**—**
Total	**¥ 938**	¥1,307	**$ 8,933**
Balance at end of year:			
Tires	**¥3,623**	¥ 638	**$34,505**
Sports	**5,204**	5,776	**49,562**
Industrial and Other Products	**—**	—	**—**
Total	**¥8,827**	¥6,414	**$84,067**

16. Related Party Information

The condensed financial information of a significant affiliate, Goodyear Dunlop Tires Europe B.V., as of fiscal 2013 and 2012 was as follows:

	Millions of U.S. dollars 2013	2012
Current assets	**$2,210**	$2,179
Noncurrent assets	**2,200**	2,126
Current liabilities	**1,772**	1,635
Noncurrent liabilities	**1,366**	1,460
Shareholders' equity	**1,272**	1,210
Net sales	**5,857**	5,990
Loss before income taxes	**(2)**	(27)
Net loss	**(46)**	(91)

17. Contingent Liabilities

As of December 31, 2013 and 2012, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Trade notes discounted	**¥943**	¥ 324	**$8,981**
Guarantees and arrangements similar to guarantees of indebtedness of employees, unconsolidated subsidiaries and affiliates	**390**	1,847	**3,714**

18. Leases

The original costs of leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee and the related accumulated depreciation and accumulated impairment losses, assuming they were calculated using the straight-line method over the terms of the leases, as of December 31, 2013 and 2012 were as follows:

As of December 31, 2013	Millions of yen				Thousands of U.S. dollars			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery, vehicles and equipment	**¥4,929**	**¥3,423**	**¥355**	**¥1,151**	**$46,943**	**$32,600**	**$3,381**	**$10,962**
Other	**472**	**202**	**—**	**270**	**4,495**	**1,924**	**—**	**2,571**
Total	**¥5,401**	**¥3,625**	**¥355**	**¥1,421**	**$51,438**	**$34,524**	**$3,381**	**$13,533**

As of December 31, 2012	Millions of yen			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery, vehicles and equipment	¥5,495	¥3,440	¥355	¥1,700
Other	472	175	—	297
Total	¥5,967	¥3,615	¥355	¥1,997

Finance lease transactions executed on or before December 31, 2008 which did not involve a transfer of ownership are accounted for using the same method as that used for operating leases. Lease payments under finance lease transactions which did not transfer ownership of the leased assets to the lessee for the years ended December 31, 2013 and 2012 amounted to ¥588 million ($5,600 thousand) and ¥683 million, respectively.

The balances of future finance lease payments, including interest, as of December 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥ 497**	¥ 585	**$ 4,733**
Due later	**1,111**	1,660	**10,581**
Total	**¥1,608**	¥2,245	**$15,314**

The balances of future lease payments under non-cancelable operating leases, including interest, as of December 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥1,020**	¥ 802	**$ 9,714**
Due later	**3,432**	1,431	**32,686**
Total	**¥4,452**	¥2,233	**$42,400**

19. Impairment Loss

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2013.

			Millions of yen	Thousands of U.S. dollars
Group	Location	Assets	Impairment loss	
Rental property	Abashiri City, Hokkaido and other	Land and buildings	**¥96**	**$914**
Idle assets	Daisen City, Akita	Land	**1**	**10**
Assets to be disposed of	—	Machinery and other	**39**	**371**

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2012.

			Millions of yen
Group	Location	Assets	Impairment loss
Idle assets	Shiraishi-ku, Sapporo City and other	Buildings and land	¥ 28
Assets to be disposed of	Kakogawa City, Hyogo and other	Machinery, buildings and other	233
—	—	Goodwill	1,477

The Company and its consolidated subsidiaries group their assets at the lowest level for which cash flows are independently identifiable. Rental properties, unused idle assets, and assets to be disposed of as decided by the Board of the Directors are tested for recoverability on an individual basis.

The book values of certain assets were reduced to recoverable amounts and impairment losses were recognized because the fair value of assets in certain idle asset groups declined substantially; the book values of certain assets for which market prices have considerably declined along with the drop in land prices decreased; and the Company decided to dispose of certain assets.

The recoverable amount of certain business assets was measured at the net realizable value of the memorandum value since it was difficult to calculate the selling price. The recoverable amount for land and buildings was measured mainly at net realizable value based on the publicly assessed value of land and buildings. Use value was not discounted because the period for disposal was short and the effect of any discount was insignificant.

20. Business Combination

Business combination by means of acquisition

(1) Overview of business combination

(a) Name and business of acquired company
Name of acquired company: Apollo Tyres South Africa (Pty) Limited
Main business: Manufacture and sale of tires for passenger cars and light trucks. Sale of tires for trucks and buses.

(b) Purpose of business combination
With the acquisition of these business operations, the Sumitomo Rubber Group will secure the rights to the Dunlop brand throughout the entire African continent and come into possession of a manufacturing base in South Africa, thereby greatly increasing the scale of its tire sales business in Africa and accelerating the pace of its global expansion and development.

(c) Date of business combination
December 2, 2013

(d) Legal form of business combination
Acquisition of shares in exchange for cash payment

(e) Name of acquired company after business combination
Apollo Tyres South Africa (Pty) Limited
The acquired company changed its trade name to Sumitomo Rubber South Africa (Pty) Limited on January 27, 2014.

(f) Ratio of voting rights acquired
Voting right ratio before acquisition: 0%
Voting right ratio after acquisition: 100%

(g) Main basis behind the determination of the acquiring company
The Company acquired all shares of Apollo Tyres South Africa (Pty) Limited and acquired 100% portion of voting rights.

(2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements
Because the deemed date of the business combination was December 31, 2013, the newly acquired company's income statements were not included in consolidated statements for fiscal 2013.

(3) Acquisition cost and related details

	Millions of yen	Thousands of U.S. dollars
Acquisition price	**¥6,043**	**$57,552**
Expenses related to the acquisition	**175**	**1,667**
Total	**¥6,218**	**$59,219**

(4) Amount of goodwill recognized, cause, amortization method and amortization period

	Millions of yen	Thousands of U.S. dollars
Amount of goodwill recognized:	**¥3,303**	**$31,457**

Reason for recognition: Future business activities are expected to generate excess profitability.
Amortization method and amortization period: Straight-line method over eight years

(5) Amount and breakdown of the assets acquired and the liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 7,448**	**$ 70,933**
Noncurrent assets	**5,230**	**49,810**
Total assets	**¥12,678**	**$120,743**
Current liabilities	**¥ 8,745**	**$ 83,286**
Long-term liabilities	**1,018**	**9,695**
Total liabilities	**¥ 9,763**	**$ 92,981**

With regard to the purchase price allocation, items allocated to intangible assets other than goodwill and their amortization periods classified by category are as follows:

	Millions of yen	Thousands of U.S. dollars
Trademarks	**¥1,261**	**$12,010**

(amortization period: 8 years)

(6) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of fiscal 2013
This estimated amount was omitted because of the difficulty in calculation.

21. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings of the Company were proposed and approved at the General Meeting of Shareholders held on March 28, 2014:

	Millions of yen	Thousands of U.S. dollars
Balance at December 31, 2013	**¥135,811**	**$1,293,438**
Appropriations—		
Cash dividends (¥25 per share outstanding at December 31, 2013)	**(6,558)**	**(62,457)**
Balance after appropriations	**¥129,253**	**$1,230,981**

Independent Auditors' Report

To the Board of Directors of
Sumitomo Rubber Industries, Ltd.:

We have audited the accompanying consolidated financial statements of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries as at December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

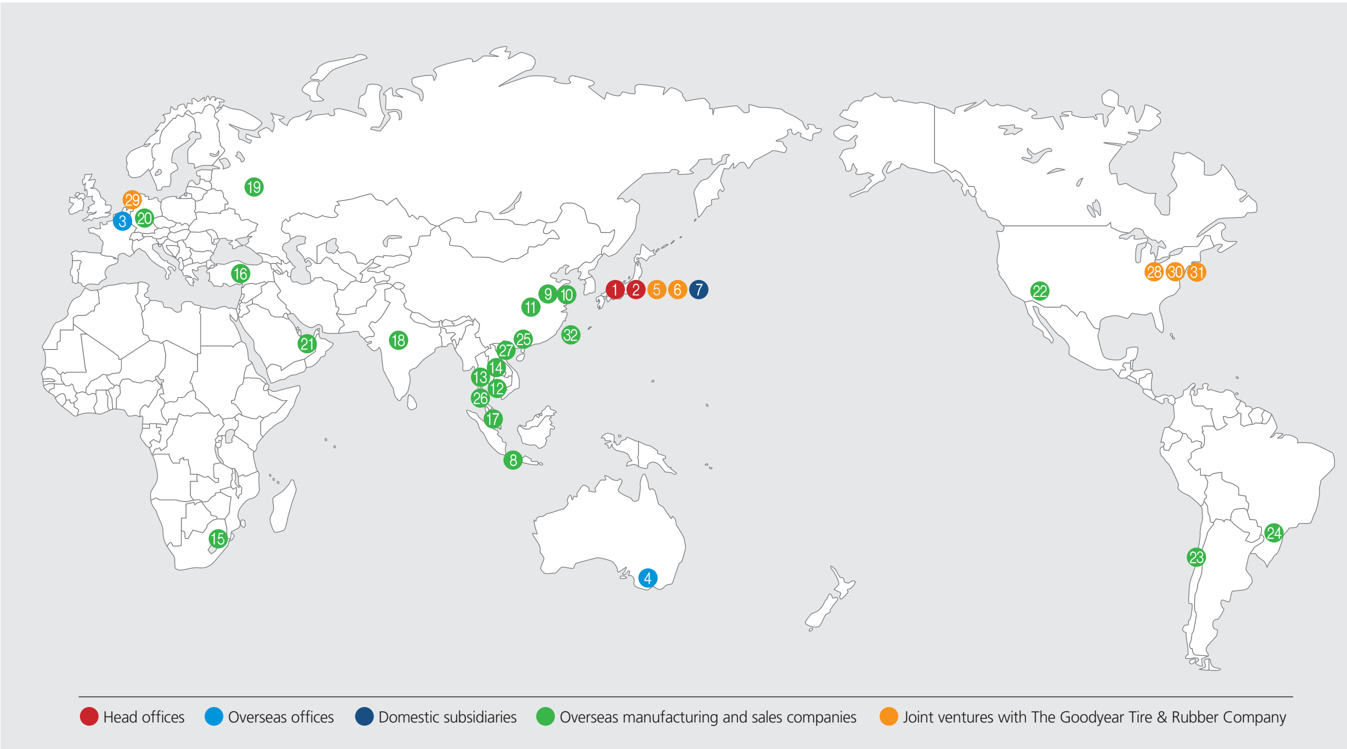
Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

May 9, 2014
Kobe, Japan

Global Network

(As of April 2014)



Domestic Offices and Facilities

1 **Head Office**
3-6-9, Wakinohama-cho,
Chuo-ku, Kobe,
Hyogo 651-0072, Japan
Tel: (078) 265-3000
Fax: (078) 265-3111

2 **Tokyo Head Office**
3-3-3, Toyosu, Koto-ku,
Tokyo 135-6005, Japan
Tel: (03) 5546-0111
Fax: (03) 5546-0140

Facilities
Nagoya Factory
Shirakawa Factory
Izumiotsu Factory
Miyazaki Factory
Ichijima Factory
Kakogawa Factory
Tyre Technical Center
Golf Science Center
Okayama Tire Proving Ground
Nayoro Tire Proving Ground
Asahikawa Tire Proving Ground
Central Training Center
Shirakawa Manufacturing Training Center

Overseas Offices

3 **Brussels Office**
Diegem, Belgium

4 **Melbourne Office**
Victoria, Australia

Major Subsidiaries

5 **Goodyear Japan Ltd.**
Minato-ku, Tokyo, Japan

6 **Dunlop Goodyear Tires Ltd.**
Koto-ku, Tokyo, Japan

7 **Dunlop Sports Co. Ltd.**
Chuo-ku, Kobe, Japan

8 **P.T. Sumi Rubber Indonesia**
Jakarta, Indonesia

9 **Sumitomo Rubber (China) Co., Ltd.**
Jiangsu Province, China

10 **Sumitomo Rubber (Changshu) Co., Ltd.**
Jiangsu Province, China

11 **Sumitomo Rubber (Hunan) Co., Ltd.**
Hunan Province, China

12 **Sumitomo Rubber (Thailand) Co., Ltd.**
Rayong, Thailand

13 **Dunlop Tire (Thailand) Co., Ltd.**
Bangkok, Thailand

14 **Sumirubber Thai Eastern Corporation Co., Ltd.**
Udon Thani, Thailand

15 **Sumitomo Rubber South Africa (Pty) Limited**
KwaZulu-Natal, South Africa

16 **Sumitomo Rubber AKO Lastik Sanayi ve Ticaret A.Ş.**
(under construction)
Cankiri Province, Turkey

17 **Sumitomo Rubber Asia (Tyre) PTE. Ltd.**
Singapore, Singapore

18 **Falken Tyre India Private Limited**
Haryana, India

19 **Dunlop Tire CIS LLC**
Moscow, Russia

20 **Falken Tyre Europe GmbH**
Offenbach, Germany

21 **Sumitomo Rubber Middle East FZE**
Dubai, UAE

22 **Falken Tire Corporation**
California, U.S.A.

23 **Sumitomo Rubber Latin America Limitada**
Santiago, Chile

24 **Sumitomo Rubber do Brasil Ltda.**
Parana State, Brazil

25 **Zhongshan Sumirubber Precision Rubber Ltd.**
Guangdong Province, China

26 **Sumirubber Malaysia Sdn. Bhd.**
Kedah, Malaysia

27 **Sumirubber Vietnam, Ltd.**
Haiphong, Vietnam

Major Affiliates

28 **Goodyear Dunlop Tires North America, Ltd.**
Ohio, U.S.A.

29 **Goodyear Dunlop Tires Europe B.V.**
Amsterdam, Netherlands

30 **Goodyear-SRI Global Purchasing Company**
Ohio, U.S.A.

31 **Goodyear-SRI Global Technology LLC**
Ohio, U.S.A.

32 **Kuo Chu Rubber Co., Ltd.**
Taipei, Taiwan

Investor Information

(As of December 31, 2013)

Paid-in Capital
¥42,658,014 thousand

Number of Shares of Common Stock
Authorized: 800,000,000

Issued: 263,043,057

Number of Shareholders
19,184

Major Shareholders

Sumitomo Electric Industries, Ltd.	26.81%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.29%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.11%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3.83%
Sumitomo Corporation	3.66%
National Mutual Insurance Federation of Agricultural Cooperatives	3.00%
Sumitomo Mitsui Banking Corporation	1.99%
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	1.53%
The Goodyear Tire & Rubber Company	1.30%
BNP Paribas Securities (Japan), Ltd.	1.13%

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 715,318 shares of treasury stock.

Stock Exchange Listing
Tokyo

Ticker Symbol
5110

Transfer Agent and Special Account Management Institution
Sumitomo Mitsui Trust Bank, Limited

1-4-1, Marunouchi,

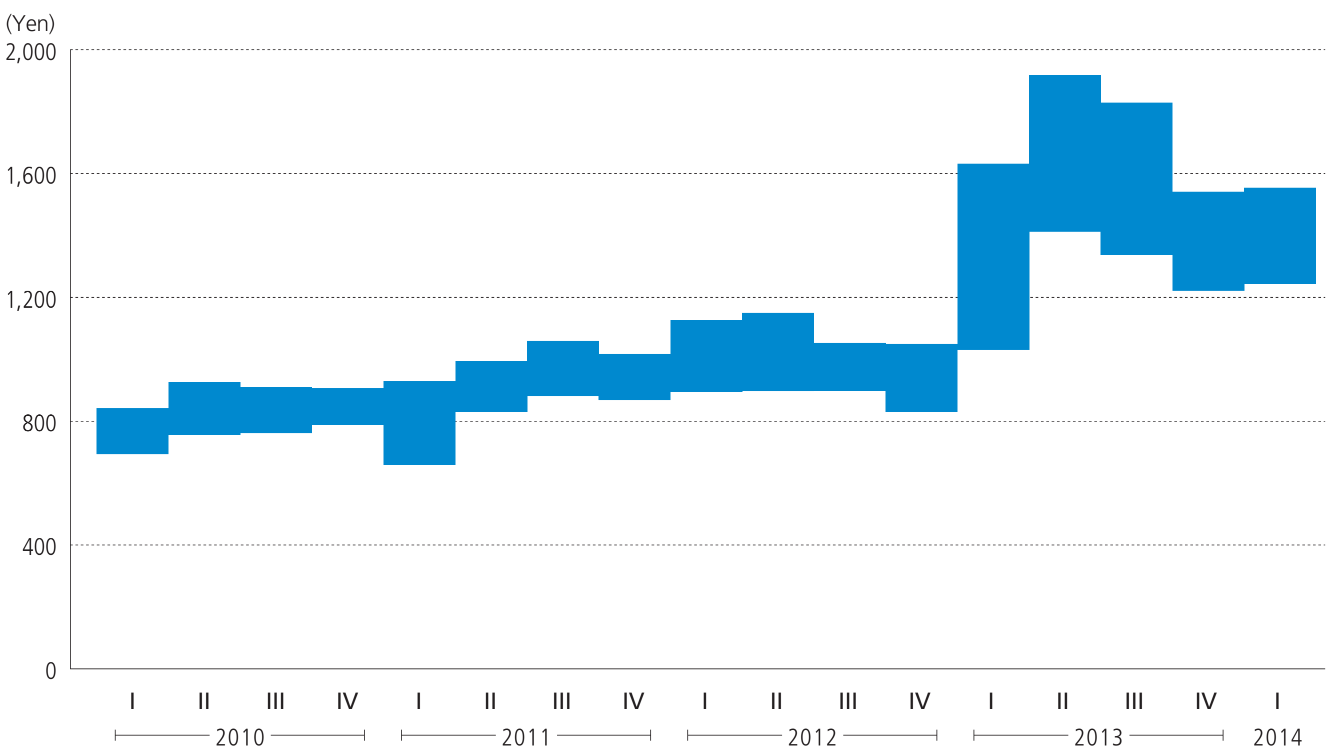
Chiyoda-ku, Tokyo, Japan

Independent Auditors
KPMG AZSA LLC

3-6-5, Kawaramachi,

Chuo-ku, Osaka, Japan

Stock Price



SUMITOMO RUBBER GROUP

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環境問題に先進的に取り組むエコ・ファースト企業として環境大臣より認定を受けました。
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